THE MASSACHUSETTS BUDGET PROCESS

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THE MASSACHUSETTS BUDGET PROCESS

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Bureau of Government Research

1962 UNIVERSITY OF MASSACHUSETTS AMHERST

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BUREAU OF GOVERNMENT RESEARCH

The Bureau of Government Research is a research, training and service organization within the University of Massachusetts. It was established in January, 1956.

The functions of the Bureau are: (1) to conduct research in significant local and state governmental problems; (2) to provide research material in the social sciences for faculty and students; (3) to organize training institutes for public officials; (4) to furnish consultative services to governmental units; and (5) to serve as an information center for persons interested in public problems.

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Foreword

This monograph has been prepared for those public officers and citizens who are concerned with the budgetary processes currently used in managing the affairs of the Massachusetts state government.

Recent decades have been marked by an extraordinary increase in both the quantity and variety of the functions performed by the state government. It is through the budget that the relatively scarce resources, principally money and manpower, are allocated among these many services to achieve the objectives of society in as finely a balanced manner as wisdom and political exigencies permit. Further, as the budget also has economic implications for the well-being of the state's citizenry and its industrial and commercial complex the grave importance of policy decisions on the part of both the executive and legislative branches is further emphasized.

Consequently, one question raised herein is whether or not line item budgeting offers a satisfactory basis for judging the efficacy of the functions and activities of the several state departments and agencies. While it is granted that the line item approach has had comparatively long usage and facilitates expenditure controls and financial status reports it does not contribute to a ready evaluation of the programs of the state government in terms of unit costs and accomplishment. However, it is not suggested that the existing budgetary mechanics—line item—should be summarily abandoned, but that they be expanded to include the applicable components of program or performance budgeting so as to develop a more comprehensible and useful document.

It seems pertinent that serious thought should also be given to developing procedures whereby the reliance upon, and the frequency of, supplementary budgets may be reduced. This, of course, is no simple task for political and economic modulations are among the unforeseen; nevertheless the general operating budget should be as comprehensive as human ingenuity can make it.

In any event the capital outlay budget should be integrated not only with a long-range financial program but also with the annual operating budget. The Budget Bureau must, therefore, be empowered to wield a more decisive role in developing the Commonwealth's capital outlay scheme, and be more adequately staffed to undertake this responsibility as well as financial planning.

This study is divided into two parts, the first of which covers the state's operating budget while the second deals with supplementary and deficit budgets, the capital outlay budget and the relative financial independence of authorities.

In light of the growing importance of public finance it is hoped that this treatment of the Massachusetts budgetary system will contribute to a better understanding of the state's fiscal processes.

The views and opinions stated herein are those of the author, and neither the Bureau of Government Research nor the University necessarily agree with these expressions.

Mrs. Hazel J. Tilton of the Bureau staff prepared this manuscript for publication.

Amherst, Massachusetts
May, 1962

WILLIAM G. O'HARE, JR.
Director

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Part One

THE OPERATING BUDGET

The scope of this investigation is not narrow. It is concerned with the budget process in Massachusetts from initial preparation of agency and bureau budgets through their presentation by the Governor in his annual budget. He is charged with the preparation of the budget document, and he is aided by the Budget Bureau and the Comptroller's Bureau which are within the Commission on Administration and Finance.

History

As a matter of strict necessity, it would not be compulsory to use a budget in order to manage the public undertakings and the economy of Massachusetts. But the budget process best provides consistency and equilibrium between the complementary and alternative components of governmental policy. The budget, in a not unnatural sense, is the nerve center of the public economy. Its function or role is similar to that of the market in the private economy.[1] It should be attuned to the answering of queries about 1) the plans and activities of the Commonwealth, 2) the *raison d'etre* of these plans and activities, and, 3) present and anticipatory costs for both.

In Massachusetts, as elsewhere, the budget encompasses the social, political and economic position of the Commonwealth. Within improperly wide limitations, the skilled analyst is able to get much factual material and some insights into the motivations of a particular policy. However, it is unrewarding to assume that procedural changes or structural manipulations will be a cure-all for hard problems in the area of budget making.[2] Results are likely to be more fruitful if, instead of assuming away problems, we recognize them and attempt to solve them. To focus on benefits without adequate thought for the costs involved will inevitably bias judgments and results.[3] This is happening currently in Massachusetts, and it is to be regretted because the existing budget is almost unmapped. It is not precise or conclusive. Moreover, it is certainly not an impartial vehicle as several activities are each given separate budgetary consideration. This situation derogates from the budget as a coordinating mechanism. It increases the risks of inefficient allocation of the resources of the Commonwealth. It prohibits the consideration of alternative uses for available revenues. This pre-supposition of the special economic conditions in which the budget will function has meant that measurements of costs and examinations of new techniques, when done at all, have been undertaken in a perfunctory manner.

Legal Requirements

The Constitution of Massachusetts declares that the General Court shall not enact any other appropriation bill (except on a recommendation of the Governor) before final action is taken on a general appropriation bill.[4] This same section of the Constitution further provides that the Chief Executive may at any time recommend to the legislature supplementary budgets which shall be subject to the same procedure as the general budget. The same amendment deals with the relationship of the Governor to the budget.[5] He is required to submit a balanced budget to the legislature.[6] It purports to be but usually is not a complete financial plan for the fiscal year, which will begin on July 1 and terminate on the following June 30.[7] The Governor is required to submit his budget within

three weeks after the General Court convenes in January of each year. He must specify proposed expenditures and the sources for meeting their costs for the coming fiscal year. The form of this presentation is contained in the General Laws of the Commonwealth.[8]

The Massachusetts Constitution does not detail the contents of the budget document. Also, it does not contain provisions for hearings on the preparation of the budget. However, it has been adjudicated that the objective of the sixty-third amendment is to give the Commonwealth a strict budget for its fiscal operations. All revenues should be paid into the office of the Treasurer and Receiver-General and all proposed expenditures should be included in budget and appropriation bills.[9] This lack of specificity is not necessarily a detriment. The harm arises from its abuse. It would not be judicious or bearable if the constitution placed an unassailable barrier in front of the best solutions for the Commonwealth's economic problems.[10] Moreover, rigid and particularized directives concomitant with economic and political factors at the moment of enactment can be soon out of date, yet shackle progress and institutional improvement for the majority. Vested interests and inertia sometimes create a preference for the old ways, which is often bolstered by an appeal to constitutional precepts. The laws of the Commonwealth, both common law and the statutes, have slowly accommodated the dynamic economy of the state and the nation. They give an extraordinary application to *stare decisis*.

Past and Present[11]

Massachusetts has an executive budget by which the Governor makes requests and recommendations to the General Court. The original budget was "sold" to the electorate as an economy measure.[12] A thorough understanding of the Massachusetts budget cannot be obtained by an examination of its skeletal framework. Each document has to be analyzed within its own background and within the context of the many pressures in operation both at the system's creation and during the 40 years that it spans. As early as 1910 the Commonwealth had laws compelling the Governor to present a budget, fragmentary though it may have been, for its expenses. It was the first state to impose such a requirement. However, for the years up to the enactment of the official budget in 1918 the success or failure of the Governor's financial program generally depended upon his influence with the members of the legislature, rather than upon any source of authority that he could muster. Political skill and personal popularity outweighed logical and sufficient preparation.

In 1918 the statutory budget law was enacted (c. 244); in addition, the Constitutional Convention of the same year developed those budget requirements that could not be provided for by statute. It was and still is an annual budget wherein the Governor possesses an item veto over the appropriations of the legislature.[13] The Convention also briefly recognized the functions of a chief executive in a changing and expanding economy. He was given greater authority and his term of office was increased from one to two years. (This latter change was also extended to all elected officials at the Commonwealth level.) However, idem par idem, the General Court, by initiation in its House of Representatives, both then and now, retains authority to pass a budgetary program of its own construction. It must be done by special enactment, and it does not supersede the regular general budget. This legislative instrument must provide its own financing; it cannot draw upon the revenues made avaliable by the existing tax structure.

Since 1948 the annual budget of the Commonwealth has been tempered by inflationary pressures and the cold war situation. Many responsible officials have continually declared that the upward spiral of costs would flatten out when these two influences became stabilized. The corollary that revenues would then taper off has characterized budget policy with conservatism. The present Massachusetts budget is basically comparable to those of the early 1920's. Now, as then, attention is concentrated on the assortment of tools, employees, types of workmen, supplies and equipment, and the department or agency assigned to perform a specific task. There has been no aggressive attempt to define the activities to be performed in terms of what should be accomplished and who will be benefited and to what extent. Over the years, the Governor's budget messages have been weak, for they have only sketched basic problems with little justification offered for activities that have been proposed. Contrariwise, there has been no recognition of those that have not been undertaken; this, of course, is difficult to justify with conviction.

It is a long honored custom for the Governor to address a special message to the General Court at the start of each legislative year. It precedes and is in addition to his budget message. For fiscal year 1962 the recommended general or operating budget totaled $487 million and for fiscal year 1963 the recommendation was $524 million.[14] In fiscal year 1959 the Governor's recommended budget was $418 million. In this year the mandatory balancing of these requests with anticipated revenues was based on an assumption that $17 million would be realized by the enactment of a withholding tax at the source feature for the personal income tax. This was the balancing device used despite the certain expectation that this procedure would get a hostile reception in both branches of the legislature. (It was rejected in calendar year 1958, but passed in early 1959.) The Governor's message was, as usual, presented in January of 1958, and made no provision for alternative financing if the amendment were not passed. The Ways and Means Committees of the House and the Senate pruned the budget to $405 million. The Governor signed this bill on June 30, 1958, and the 1959 fiscal year started on the following day. He did so with the warning that many of the items that had been pared or excluded would reappear in his supplemental budget.[15]

The foregoing paragraph should not obscure the fact that the Governor's message has always accentuated the current year's budget and anticipated appropriations. It has exhibited little concern in or for past mistakes and future pressures. The scope of a discussion on the content of the budget messages is hampered because it is not possible to have a time-oriented analysis of next year's budgetary estimates with the actual expenditures of the current fiscal year. The system of reporting now in effect does not furnish such information early enough for this useful purpose.

Table I shows in column one the almost four-fold dollar growth of the operating budget since fiscal year 1947. It generally includes many items that would fall within the limits of a restrictive definition of a capital outlay. Also, the Governor often has exercised his constitutional right to present a supplementary budget. On occasion it has approached $30 million and usually contains items that were rejected when presented in the general budget, or, for tactical reasons, are presented here for the first time.

Column two of the same table presents total appropriations for current operations and sometimes includes positive legislative readjustments to the

Governor's recommendations, and it also includes supplementary and deficiency appropriations, if any, for such current operations. Consequently, both in scope and dollar amounts the total is usually larger than the original recommendations. This is more clearly presented in the third column of Table II. The large percentage changes for fiscal years 1948 and 1949 (they were 21.8 for 1946, and 27.7 for 1947) in column one of Table II are substantially explained by the inclusion of state distributions for local aid which formerly did not go through the budget. The large amounts recommended and appropriated for fiscal years 1957 to 1960 were generated by an enlarged social program by the incumbent chief executive. The extended coverage of the budget is to be approved. However, it makes it difficult to determine the basic growth of the budget, although estimates from employees and public officials working in this area ranged between 5 and 6 per cent. The overall average growth since 1950 has been about 6.7 per cent as seen in column one of Table II. During this period the scope of the operating budget has been more or less constant. There has only been some internal realignment.

TABLE I

OPERATING BUDGET 1947-1962

(Thousands of Dollars)

Fiscal Year	Col. 1 Governor's Operating Budget Recommendations (a)	Col. 2 Total Appropriations for Current Operations	Col. 3 Annual Change in Governor's Budget (Col. 1)	Col. 4 Annual Change in Total Current Appropriations (Col. 2)	Col. 5 Annual Difference Col. 2 minus Col. 1
1947	118,402	132,826			14,424
1948	146,854	111,425	28,452	21,401	—35,429
1949	203,123	240,608	56,269	129,183	32,594
1950	208,518	226,031	5,395	—14,577	17,513
1951	223,064	261,177	14,546	35,146	39,113
1952	271,355	274,953	48,291	13,776	—3,598
1953	286,493	292,542	15,138	17,589	6,049
1954	278,969	284,095	—7,524	—8,447	5,126
1955	291,878	283,724	12,909	—371	—8,154
1956	305,388	324,579	13,510	40,855	19,191
1957	352,462	363,423	47,074	38,844	10,961
1958	423,592	397,062	71,130	33,639	—26,530
1959	418,254	408,453	—5,338	11,391	—9,801
1960	454,254	433,637	36,000	25,184	—20,617
1961	463,198	468,616	8,944	34,979	5,418
1962	487,198	483,359	24,000	14,743	3,839

(a) 1947-1949 exclusive of Metropolitan Districts

Source: Commonwealth of Massachusetts, House of Representatives, No. 1, 1947-1962

It is difficult to affirm that the present line-item procedures now in effect in Massachusetts are adequate for budget making. They were created to deal with much smaller and simpler situations. Also, there is constant propaganda aimed at making large cuts in the budget figures. Much of this agitation is based on ignorance of the fact that a budget is not fashioned *de novo* each year; for in fact it contains commitments which are mandatory from one year to the next,

TABLE II

PERCENTAGE CHANGES IN OPERATING BUDGET AND APPROPRIATIONS

Fiscal Year	Column 1 Annual Change in Governor's Operating Budget	Column 2 Annual Change in Appropriations for Current Operations	Column 3 Annual Differences Between Governor's Budget and Current Appropriations
1947			12.2
1948	24.0	16.1	—24.1
1949	38.3	115.9	15.7
1950	2.7	—6.1	8.4
1951	7.0	15.5	17.6
1952	21.6	5.3	—1.3
1953	5.6	6.4	2.1
1954	—2.6	—2.9	1.8
1955	4.6	—0.1	—2.8
1956	4.6	14.4	6.3
1957	15.4	11.9	3.1
1958	20.1	9.3	—6.3
1959	—1.3	—2.8	—2.3
1960	8.6	6.2	—4.5
1961	1.9	8.0	1.1
1962	5.1	3.1	0.8

Source: Computed from Table I

and, to some degree, uncontrollable in the annual budget and appropriation bills. They might not be increased, but, on the other hand, they cannot be decreased. Two examples are: judicial salaries (a judge's salary cannot be reduced while he holds office) and the interest on the public debt of the Commonwealth. Other semi-fixed activities are such open end projects as public welfare and aid to education, where the terms and formulas have been more or less set by the legislature with the intention that they will not be reviewed annually.

Some additional comments, in the nature of *obiter dicta* are properly inserted here at the end of this section. There has been a wide and unyielding resistance to the accumulation of a revenue surplus for stabilization of the Commonwealth's economy and its financial obligations. It is summed up by a reluctance to provide for problems that may or may not occur. Lengthy legislative sessions may also play a role.[16] In 1958 the legislature adjourned without providing adequate revenues for the 1959 budget that had already been enacted. Moreover, the budget for fiscal year 1960 was stalled in the Ways and Means Committee of the Senate and it did not become operative until the Governor signed the general appropriation act on July 31, 1959. Only one other Senate in the past 50 years has failed to act on the budget by June 26—in most cases it has acted by May 30. However, in 1955 the legislature postponed final approval of the recommendations of Governor Herter until mid-August, after having twice approved emergency monthly spending legislation. This was also done in the 1959 impasse. Department heads were limited to spending for July 1959 no more than their allocations for July 1958. It was designed to free legislators from any pressures to vote for revenues in excess of existing taxes.

Without the emergency legislation the departments and agencies would have been powerless to spend or incur obligations until the passage of the general appropriation act.

Executive Branch

An executive budget implies that budgetary administration is centered in the Governor. In Massachusetts, through the liaison of the Commissioner of Administration and Finance, the Governor announces very general outlines for his projected activities as a framework for the preparation of the budgets of the departments, agencies, and bureaus. He is legally responsible for the formulation of the entire budget and the correlation of its many parts. He is charged with the supervision necessary for the execution of the budget after it has been accepted, as amended, by the General Court. The Constitution of the Commonwealth requires that the Governor show the source of revenues that will meet the cost of his spending activities. This is not an obligation imposed on legislators and private interests who are also able to originate spending bills. It is an exceptional instance when any individual or group or organization gives concrete evidence of the revenue sources available for defraying the expenses of its proposed activity.[17]

The line-item budget in Massachusetts is basically traceable to the efforts of the legislature to limit the powers of the Chief Executive. He is forced to be very specific about the items of expenditure to be made through the budget process.[18] For many years, the Governor's annual message to the General Court has been concerned with broad, summary classifications of activities. The annual budget message, for its part, briefly dwells on specifics, but does not interrelate the items. Also, it does not make known the reasons for the decisions that have been made. It is a narrative of the contents of the budget document. Furthermore, the total implementation of the executive budget cannot be presently attained because the executive branch is not properly or adequately staffed for this purpose. The multitude of departments and agencies, each with some degree of statutory autonomy, denies the Governor the use of an administrative cabinet. Going further, the recent occupants of the Governor's chair have not been experienced in the area of economics; apparently it has bored them or they have avoided the complications of economic analysis. There is no valid reason to assume that future chief executives will bring greater knowledge in this field to their high office. The improvement must come from another direction, that is better staff work through the Commission on Administration and Finance and its sub-bureaus. Finally, unless the Governor and the General Court work together and in harmony there will be very little effective control of expenditures in the public interest.[19] The currently applicable words of Arthur E. Buck will otherwise continue to be true in Massachusetts:

> . . . The lawmakers . . . gave little or no thought to the position of the executive with respect to the various agencies of the administration. This was particularly true in state governments where these agencies were often arranged in a haphazard and disjointed fashion, their administrative officers, in many instances, not being even remotely under executive control or supervision. . . . Although the executive might prepare a satisfactory financial plan for the legislative body under these circumstances, he could not hope to be able to enforce the plan once it had been adopted. No wonder the budget system in many of these cases has been little more than a farce . . . . [20]

Commission on Administration and Finance

In the preparation of his budget the Governor can compel every board, commission, department or officer to furnish him with any data or aid that he

considers pertinent. As his chief source for financial information concerning the Commonwealth the Governor relies on the Commission on Administration and Finance.[21] The Commission consists of the Commissioner of Administration and three other members who are, respectively, the heads of 1) the Budget Bureau, 2) the Comptroller's Bureau, and 3) the Purchasing Bureau.[22] The Governor, with the advice and consent of the Council, appoints one member of the Commission each year for a four year term of office. (The Commission was created as a result of the Webster Commission Report.[23]) Its general purpose is to provide for the direction, control and evaluation of the activities of the Commonwealth. The Commissioner is empowered to consider the possibility of promoting economy and efficiency and avoiding useless labor and expense.[24] He is also permitted to conduct studies of the operations of state agencies in order to recommend and bring about improvements in organization, procedures and administrative policies.

The Commissioner of Administration does not make routine and periodic management studies of the many spending agencies of the Commonwealth. However, under General Laws, c. 7, ss. 9-11 the Commissioner can make special examinations of any spending agency receiving an annual appropriation upon proper request from the Governor, or the Senate or House Ways and Means Committees, or the Finance Committee of the Council. It is sad that despite these extensive powers the Commission rarely has had the manpower to implement such constructive responsibilities. Through the years there has been a decentralization of executive authority, but, if this Commission is properly developed and used in the future it can strengthen the executive department.

The Commission and its members are directly answerable to the Governor and his Council. They control the finances of the Commonwealth, supervise the preparation and execution of the budget, and report on all expenditures. In their capacities as bureau chiefs, which are full time jobs, each associate member of the Commission is faced with a dichotomous situation. He must represent his activity and keep it up to par.[25] At the same time, he must try to shape an overall approach to the affairs of the Commonwealth, which is dangerously interwoven with possible conflicts of interests that belabor impartial analyses and recommendations. However, a complete judgment must recognize the good cooperation that usually exists among these three bureau heads.

Comptroller's Bureau[26]

The Comptroller's Bureau currently has a staff of 117 persons. Mechanization was started in a small way about fifteen years ago; consequently, in 1958 the budget for fiscal year 1959 (and also for fiscal 1960 and 1961) was mechanized to the point that each Ways and Means Committee had a historical record of the past. Incidentally, the budget document starts to develop on the basis of forms sent by the Comptroller to each department and agency. They show an account of each unit's expenditures for the current year and provide for a listing of its needs for the next two successive years. These forms are then analyzed by the Comptroller's Bureau for the Budget Commissioner. At another stage, once the budget has been passed by the enactment of an appropriation bill the Comptroller is charged with authorizing all expenditures that will be made. However, he has a minimum of discretion in the matter. His staff checks for legal compliances and to prevent spending from exceeding the appropriated amounts and the allotments made therefrom. There is little opportunity for exercising individual or staff value judgments and making recommendations on them. The Comptroller is also charged with the maintenance of records for the

correlation of estimated and realized revenues. However, too often the safeguarding of assets has been magnified and other ends neglected.

By law, the Comptroller has to make a report on the fiscal year just ended by August 15 of the same calendar year. To fulfill this obligation the Comptroller sets a deadline for agency provision of information. He will not relax this ruling to include any overdue information. As an added service, without any statutory requirement, this bureau has been furnishing monthly reports of the condition of each appropriation account of all agencies and departments. However, a new Comptroller could eliminate this worthwhile practice. There is also a daily report to each of them concerning bills paid and to be paid. However, this does not make any statement about efficiency and improvement in the existing order of things.

The Budget Bureau does not have any manuals for instruction of its new members. Everyone learns from experience, even the Commissioner. On the other hand, the Comptroller's Bureau provides manuals for its new members and, also, a considerable amount of in-service training. There is also the very useful "Opinions of the Comptroller" which deals with past internal management problems.

Budget Bureau

The aim of the Budget Bureau is the same as the agencies on the firing line, namely, to work for the successful completion of the Governor's policies. Their allegiance is to him, not to the General Court. The Bureau has always been very small in Massachusetts. It is currently staffed with a Budget Commissioner and a Deputy Budget Commissioner, together with seven budget analysts who are all accountants, and three secretaries. Nevertheless, this is progress. For many years subsequent to 1923 its staff did not extend beyond a Budget Commissioner and his secretary. The original and continuing task of the Budget Bureau has been the preparation of the line-item operating budget.[27] Its duties have been set up around this procedure. They involve investigation and clerical and rudimentary analytical examination of the materials going into the budget. At the present time, it has only general supervisory powers over the preparation of the Capital Outlay Budget. On balance, the work of the Budget Bureau should not be subordinated to that of line agencies. In recent years the Bureau has made a few studies in the field of governmental management. However, the functions of the departments and agencies have never been subject to any important analytical review. Close scrutiny is, however, given to observation of constitutional and statutory provisions and to determinations of accuracy of purchases and of amounts expended.

The work of the Budget Bureau should be more than a clerical transmission of proposed expenditures to the legislature. Insufficient personnel and appropriations have prohibited the use of a field staff and even random visitations throughout the Commonwealth for the investigations appropriate to budget preparation and execution. This deficiency of staff has not allowed the Bureau to conduct studies of agency organization and work methods. It has no policy for the examination of their general management. It makes the occasional studies as previously mentioned; but, there is no sustained policy for exploration and recommendation. There is no opportunity to work with the executive agencies in their developmental efforts. The Budget Bureau's function is more or less advisory. It is not able to follow through with a realistic supervision of a project after it has become operative.

The obvious remedy is to increase the personnel of the Bureau. This should include the full-time employment of an economist and a statistician, both learned in state finance. Additional manpower would permit the permanent assignment of Budget Bureau employees to the operations of important departments and agencies. If necessary their authority could be specifically provided by legislation. This would seem to be required in the case of the Department of Public Works where there is almost complete autonomy. Thus, most importantly, this specific supervision would have to be evaluated in terms of its impact on the relations of the Budget Bureau with these departments and agencies. Co-operative understanding rather than a unilateral decree will generally produce the best results. There is an understandable initial suspicion and resentment that must be overcome.

Expenditure obligations are not created by budgetary requests alone. Basic legislation is another source. Moreover, its financial implications are often unperceived, unappreciated or ignored. The bill rarely contemplates the revenue amounts that it will involve. The Budget Bureau does not have any control over these spending bills. On a rare occasion the Ways and Means Committees will ask for an advisory opinion. Realistically, the Bureau should be empowered to make recommendations on all spending bills. In lieu of this, and better yet, as an additional safeguard, proponents of spending bills should have to provide adequate projections of costs over a reasonable period of time. The aim is to fit this legislation within the Governor's policies. The Budget Bureau is also hampered by its loose, non-statutory relationship with the Division of Personnel. The latter determines its own activities and its own routines within the somewhat malleable framework of Budget Bureau schedules. When new jobs are to be added, the Division of Personnel fashions the standards and they are usually accepted by the Bureau. Another problem has been caused by the increase in the number of legislative functions that encroach on the executive branch. This started during the single term of Governor Robert Bradford (1948-1949) when the Budget Bureau was giving the House Ways and Means Committee a copy of its budget formulation at the same time that the Governor was receiving his initial copy. The inevitable result has been a lowering of the prestige of the Budget Bureau.

Departments and Agencies

The reorganization of 1919 created 20 departments in the executive branch —they are listed in Table III. At the present time, they encompass more than 200 separate units which have approximately 776 directive positions subject to the appointment of the Governor. This multitude of units leads to confusion, duplication and inefficiency because many of them are placed within a department merely to comply with statutory mandates, but are not under the control of the head of the department. Table IV highlights this unwieldy arrangement.

It is easy to declare that when an activity is placed within a department it should be integrated with and subject to the jurisdiction of that department and its appointed leader. It is undeniably good administrative procedure to restrict the activities of a single department to those of the same general purpose. (Any contrary activity should go elsewhere.) However, it is not always easy to do these things. New and unanticipated activities have come into being since the creation of the original departments. A minor realignment in 1953 was not beneficial; the Department of Industrial Accidents was abolished and its activity was placed in a Division of, but not subject to, the Department of Labor and Industries which it paralleled in size. The primary motivation for the change was

TABLE III
DEPARTMENTS IN MASSACHUSETTS

Executive	Civil Service and Registration
Secretary of the Commonwealth	Commerce
Treasurer and Receiver General	Labor and Industries
Auditor	Mental Health
Attorney General	Correction
Agriculture	Public Welfare
Natural Resources	Public Health
Banking and Insurance	Public Safety
Corporations and Taxation	Public Works
Education	Public Utilities

Source: Commonwealth of Massachusetts,
House of Representatives, No. 1 of 1959

TABLE IV
UNCONTROLLED UNITS

Agency, Bureau, etc.	*In, but not of.*
Massachusetts Turnpike Authority	Public Works
Registry of Motor Vehicles	Public Works
Commission on Interstate Cooperation	Secretary of State
Commission on Hypertension	Public Health
Board of Trustees of Mental Health Institutions	Mental Health
Division of Fisheries and Game	Natural Resources
Division of Water Resources	Natural Resources
Board of Standards	Public Safety
Board of Fire Prevention	Public Safety
Division of Employment Security	Labor and Industries
State Advisory Council	Division of Employment Security
Labor Relations Commission	Labor and Industries
Division of Industrial Accidents	Labor and Industries
Industrial Accidents Rehabilitation Board	Division of Industrial Accidents
Small Loans Regulatory Board	Banking and Insurance
Parole Board	Correction
Appellate Tax Board	Corporations and Taxation

Source: General Laws of Massachusetts

to permit the creation of the Department of Commerce. The demands on the Commonwealth have been both increasing and changing in the past 40 years. It is axiomatic that the structure to implement the satisfaction of these demands should also be changed when necessary. This does not imply that it can be accomplished merely by adding to the existing number of departments. Rather, there should be a reformulation of the entire structure.[28] It should be done within a period of time that reasonably does not injure present employees or overthrow harmless vested interests that have been built up merely by the passage of time and the situation of things rather than by special pressures.

Competition is not unduly savage between the departments, agencies, and bureaus, but there are some very noticeable weak points. The Department of Public Works has almost absolute financial autonomy without visible statutory

permission. This situation is easily traceable to its ability to spend the proceeds of bond sales at its discretion and without accompanying controls, especially by the Budget Bureau. Furthermore, department and agency heads have in recent years often bypassed the Budget Bureau in seeking additional personnel and other items by bringing their requests to the House Ways and Means Committee. A more unpalatable practice is the not infrequent presentation of one set of requests to the Governor for preparation of his budget, and a later indication to the House Ways and Means Committee of areas where bearable reductions could be made; yet, over the years, no head of an activity has lost his position for this reason. Moreover, departments and agencies do not have to limit their requests for money to the budget process. They can seek the passage of special legislation. This avoidance of budgetary competition is not properly safeguarded by the constraint that any enactment is "subject to future appropriation." In fine, these units exhibit too great a reliance on the supplementary budget as a catchall and as a device for getting previously rejected and new requests passed without too much scrutiny.[29]

At the present time, the departments and agencies must adhere to a mandatory and uniform accounting procedure. The Department of Public Works was most reluctant to conform but has done so to avoid adverse publicity. The legislative and judicial branches must also use the same accounting format; but, their accounts are not subject to the allotment system. The units in the executive branch do not conduct any internal audits—this is done for them by the State Auditor. The Comptroller also helps with his own separate audit. Both are principally concerned with legality of expenditures. However, it is not correct to assume that every saving credited to the Comptroller or the State Auditor would have failed to materialize if primary auditing responsibility had been entrusted to the departments.

Structure

The initial assumption that should underline the budget structure of Massachusetts is that it is positively aiding the economic and social growth of the Commonwealth. The form of the budget has a direct bearing upon its impact in both the short and long run. On these grounds, it is sensible to pay some attention to the structure of the budget before any analysis is made of its formulation. In Massachusetts the General Fund and the Special Funds are the structural foundation of the General or Operating Budget. Each separate activity that is supported by a fund is further presented in a maximum of 20 subsidiary accounts which include the allowable objects for which the money can be spent. These subsidiary accounts show the requests and recommendations for the fiscal year. They also show the appropriations for the current and immediately prior fiscal years and the expenditures for this prior year. By an easy comparison the accounts show if more or less money is being spent or requested for a particular item, but they do not show why. The budget document does not contain explanations of increases and decreases.

The treatment of each organizational unit starts with schedules of its total appropriation for the current year and the amount recommended for the budget year. On the revenue side there is data on the actual revenue it collected last year, and the estimated amounts for this year and the budget year. This is good in the sense that aggregate amounts can be readily seen. However, the heart of the Massachusetts budget consists of those schedules covering departments and agencies as part of a specific fund. To find out the sums for each unit requires

an examination of its schedule under the fund in which jurisdiction it lies. The budget schedule of a specific unit shows a total sum of dollars which can be compared to other total sum appropriations; but, it gives no functional picture in itself or by addenda of how money is being spent by this particular unit. It does not show the existing condition of personnel and equipment. There is no indication of the possible need for changes and additions. Furthermore, the budget form rarely indicates to a legislator how his own electorate is being affected by specific projects. It is also a fair statement to say that the present Massachusetts budget format discourages popular attempts to understand it.

The Massachusetts legislature still prefers the "line-item" budget. This is grounded on a wide and deep suspicion by many of its members that the operating units would be enabled to put something over on them if the traditional budgetary and appropriation structure should be remodeled into a functional classification system. Its proponents disregard the fact that line items are only tools for the execution of an activity. But, in its operation this budgetary arrangement attempts to regulate expenditures at the departmental or agency level. It has retained its lengthy popularity because, without doubt, it facilitates easy accounting supervision of legislative appropriations for budget requests, especially as a safeguard against overspending. It works in this manner. When an appropriation is enacted the amounts therein are set up by the Comptroller as controls for specific accounts. All expenditures in the subsidiary accounts are then charged against their control accounts, with a running balance to indicate the amount left uncommitted. However, there is a serious flaw here. A total expenditure is charged to a specific control account regardless of the fact that the terminal date for partial payments extends beyond the close of the fiscal year. This often happens with multi-year projects.

Small agencies and bureaus of the Commonwealth can be readily portrayed even today by the line-item budget. However, large units are not so fortunate because each one usually extends its jurisdiction over a wide range of activities. In fact, two or more agencies often share responsibility for the carrying out of a particular activity. It is here that a line-item budget is helpless. It cannot show what is put into the accomplishment of the particular activity. It conceals issues instead of clarifying them. It contributes little to the development of financial policy for today's complex economy. It is rigid in nature and it has led to patterns of budgetary administration characterized by heavy centralization, an extremely large amount of paper work, and formally detailed but usually fruitless reviews of operating activities. The decisions that it currently reflects relate primarily to dollars for wages, travel, desks, equipment and the like. The line-item budget centers attention on the objects to be purchased by the appropriated revenue. This focusing on final objects is not apt to lead to economic improvements, for it does not permit the aggregation of all requests for expenditures in terms of functions. It is these functions that are the important operations of government, not how many persons are employed or how many light bulbs are purchased in a fiscal year. The more fundamental problems concerning functions have to be resolved outside the framework of the budget document. Only the examiners of the Budget Bureau and the specially tutored departmental officers have ready knowledge of the administrative and financial implications of the compilation of line-items in the Massachusetts budget.

There are numerous and continuing changes in the annual budget as finally enacted. The Budget Commissioner and his assistants are continually remaking

the budget, sometimes almost immediately after its enactment. This was not a serious breach of the legislative authority when the government of Massachusetts was much less complex than it is today. (Care must be taken that revenues are not in the end spent for objects quite different from those for which they were originally appropriated.) But, the changing economic picture of the nation and the state calls for flexibility in the management of the revenues and activities of the Commonwealth. Appropriations which are made to functions rather than to a multitude of objects are more in harmony with the needs and responsibilities of present day administrators. When an item in the budget is viewed solely from the standpoint of dollars involved the result often is a misapplication and waste of departmental talents and abilities. Economy and efficiency in the conduct of existing operations must come for the most part from the positive action of administrators working within the area of each one's own responsibility rather than by the direct control of higher authority.

Since fiscal year 1955, the Massachusetts budget has been presented with two recapitulation divisions for state and municipal purposes. However, there has not been any change in the funds structure to reflect this division. The budget also contains a summary balance sheet of the Commonwealth's assets and liabilities.[30] To increase comprehension of the budget document the Chief Executive should take a more active role in suggesting modifications of the budget form. However, it is not easy to change the budget format in Massachusetts because the legislature has to approve all changes in the object code, which means they would have to be amenable to the powerful House Ways and Means Committee. The principal effort to improve the budgetary process in recent years has been the creation of the allotment system in 1943. Also, there has been some revision in the subsidiary accounts. Within the existing framework the figures submitted in the Governor's budget and the figures reported by the Ways and Means Committees and those approved by the whole legislature do not usually differ too widely unless there is substantial political disagreement between the executive and legislative branches.[31] Moreover, as shown in the Governor's budget for fiscal year 1960, almost 50 per cent of the recommendations have to be made without any choice. They are quasi-fixed costs and require $204 million. Also, an additional $60 million from the highway fund pays for projects primarily beneficial to motorists. This leaves less than $200 million for general purposes. The $204 million has three summary divisions: 1) $108 million for aid to municipalities, 2) $75 million for debt service, and 3) $21 million for retirement annuity and pension programs. Also, the revenues for general usage have to pay for such inflexible projects as public health ($19.6 million), correction ($13.3 million), and public welfare ($6.5 million).

Scope

The chief concern of budgeting is the determination of whether or not an activity should be made operative at all. Its size would be the next question. The answers depend on the competitive aspects of alternative activities, or in what should be a rare case, the resources remaining after provision for budgetary-exempt activities. In Massachusetts, there are nominally no departments and agencies for which budgets are not prepared and submitted to the Budget Bureau. Actually, however, some courts and some legislative agencies do not submit a budget. The Budget Bureau currently makes one out for them, but it is trying to get these units to submit their own budgets and thereby comply with the statute. Also, at the present time, independent authorities, that portion of the shared taxes that go to the cities and towns, and trust and pension funds in

existence in the Commonwealth are not presented in the budget. Likewise, there are special schedules not contained in the budget. The Division of Employment Security is not therein, for it gets all of its money from the federal government. In fact, all federal grants are outside the budget. The highway fund often has a statement affixed to its appropriation that this appropriation will be reduced, idem par idem, by any federal revenue given to Massachusetts for highway purposes.[32] These omissions together with the separate Capital Outlay Budget and the promiscuous use of supplementary budgets have impaired budgetary unity in Massachusetts. This partial coverage of the Commonwealth's responsibilities is impairing its budget process as an effective instrument of policy. It should, rather, comprehend all the activities of the Commonwealth. And, since it links policy with every activity that it encompasses, proposed legislation should also be included for consideration. The complete picture makes for a better selection from among alternative choices.

Federal Funds

At the present time, as previously noted, federal money does not formally go through the Massachusetts budget. It is mentioned in footnotes. This is the procedure for the direct grants by the federal government to the Commonwealth. However, when the state is obliged to match federal moneys the total amount to be applied to the particular project is in the budget. The sums received as reimbursements or as matching grants are then handled as receipts by the Commonwealth. They are put in the custodianship of the Treasurer and Receiver-General.[33] In the last few years a few instances of direct federal-local contact have materialized, for example 1) the Massachusetts Aeronautics Commission as agent for municipalities with airport projects, and 2) the University of Massachusetts. There is also the possibility of indirect relationship and control, as in housing and aid to dependent children. They all necessitate the acceptance of the criteria of the federal government.

The agencies that are receiving federal grants have tended to use these programs to free themselves from normal budgetary control. At times expenditures have been in excess of the standards for completely Commonwealth-supported activities. But, this is not too widespread. Also, it is possible only in a restricted number of areas such as public health, civil defense and education. However, even here, most payments have to go to specific individuals. The more important danger lies in the increasing and thoughtless rush to take up every dollar of available federal money. It may foster a service of the Commonwealth that cannot be eliminated if the federal grant is taken away, as there is no guarantee of its continued flow. The worth of the project should be determined within the budget.

Tax Relations

Taxes, apart from constitutional determinations, have little root in or continuity with the past. They are for the most part on the frontier where law, politics, economics and accounting meet. Also, tax yields are structured not only by tax bases, rates and collection methods, but, also, by auditing concentration on dollar productivity or procedural accuracy. In Massachusetts the shared taxes do not go through the budget when a distribution is made to the cities and towns. In the meantime, the Commonwealth has the use of the total sum of money. It does not have to be held in trust or segregrated. In the past, emergency or temporary taxes, imposed for limited time periods, have been used to provide necessary revenue to balance the budget. This type of tax distorts the

tax structure of the state. Furthermore, they will most likely be unable to contribute very much to any sharp upsurge in governmental costs. In brief, the existing budget procedures do not give a balanced consideration to both the expenditure and revenue problems. There is almost limitless concentration on the former.

Subsidiary Accounts

The subsidiary accounts together with their object codes are the basis of the budget estimates. They are likewise the factual outlets for budgetary expenditures. The classification of accounts and the way they are related to activities and their responsible departments and agencies affect decision making and management generally. These accounts are 20 in number. They include every subsidiary item of the Massachusetts budget. Departments and agencies are not permitted to spend outside these accounts. An item shows if more money is being spent, but it does not show why, that is, higher salaries or more employees. The subsidiary accounts are shown in Table V. The number of object items contained within each subsidiary account is shown in parentheses.

These accounts are constantly being reexamined in order to keep them as up to date as possible. This action has been spurred in recent years by the House Ways and Means Committee. The Budget Commissioner can transfer expenditure amounts between code items but not between subsidiary accounts. The latter can only be done by him after a request therefor by a department or agency head on an emergency basis only.[24] At the present time, the budget accounts are not sufficiently flexible to accommodate advanced budgeting and managerial techniques for formulation, execution and designation of responsibility. They do not supply information tailored for effective decision making, especially for the large operating units. The practical need is not to present data in a chrono-

TABLE V
SUBSIDIARY ACCOUNTS

01	Salaries, Permanent Positions (6)
02	Salaries, Other (7)
03	Services — Non-Employees (15)
04	Food for Persons (16)
05	Clothing (6)
06	Housekeeping Supplies and Expenses (9)
07	Laboratory and Medical Supplies and Expenses and General Care (15)
08	Heat and Other Plant Operation (13)
09	Farm and Grounds (7)
10	Travel and Automotive Expenses (9)
11	Advertising and Printing (7)
12	Maintenance — Repairs, Replacements and Alterations (9)
13	Special Supplies and Expenses (26)
14	Office and Administrative Expenses (12)
15	Equipment (12)
16	Rentals (9)
17	State Aid (13)
18	Capital Outlay (9)
19	Debt Service (11)
20	Pensions, Retirement Allowances, Annuities and Benefits (23)

Source: *General Laws,* C. 29, s. 27; The Commonwealth of Massachusetts, *Subsidiary Accounts and Expenditure Code Numbers for Budgetary Control,* Commission on Administration and Finance, 1956.

logical order, but to facilitate the decision making that must take place during the several phases of the budget process. The manner in which expenditure items are grouped determines the character of the decisions that the budget procedure will permit.

Balanced Budget

The guiding role and dominance of the budget are often taken for granted because of the magnitudes involved. However, the time period over which the budget plan extends and the existence or non-existence of allowable surpluses and deficits are at least as equally significant. The Constitution of Massachusetts requires that the state budget be balanced by revenue income. However, no penalties are specified and the true balance is frequently delayed until the passage of a deficiency budget within the same fiscal year. A large part of the budgetary effort for more than a decade has been directed to attempts to make an unbalanced budget look balanced.[55] There has been frequent juggling of estimates. Revenue flows have been anticipated and delayed, and revenue enactments assumed. Accounts and object items have been refashioned and realigned in order to bring about a balance. Moreover, going beyond this projected balance an examination of the accomplished balance reveals that it has often been manipulated for the purposes of concealment of actual deficits and of manifesting a good budget picture. During the past decade the Commonwealth has annually spent more than it realized in taxes. Further, short-changing the cities and towns by partial reimbursements for money they spent over a twelve month period and deferred payment of federal aids and grants have been the more routine of the many guileful stratagems. Years ago a balanced state budget was not considered essential because deficits could be remedied by an assessment on the cities and towns by means of the State Tax. This practice was abandoned in 1947 and there would be a terrific outcry if it were revived. Another weak spot is caused by the selection of the fiscal activities that are to be balanced. Excluded from consideration are: 1) independent authorities. 2) trust and pension funds, and 3) capital items.

The annually balanced budget creates for many individuals an atmosphere that encourages the feeling that the Governor and the legislature control the entire fashioning of the budget in a determinable manner. They de-emphasize its long run impact. Also, the importance given to these annual figures cannot fail to influence the decisions of heads of departments and other agencies. However, this attitude depredates the budget as a vehicle for developing economic activities and economic policy. It does not adequately recognize the changes taking place in every department and agency all the time. These changes permit no more than a temporary balancing of estimated and actual revenues and expenditures in the short run. Also, the expenditure costs of individual activities are not always to be computed within or attributed to a single budget year.

Formulation

The formulation of a budget is more than a translation of expenditure items into dollar terms. Presently, in Massachusetts, the sums involved are largely uninformative. The most important contribution of a budgetary procedure is its delineation of the substantive issues for executive and legislative judgments. It should not hide the conflicts of interests prevalent in the Commonwealth. The Governor is in charge of the preparation of the annual budget, but he implements this duty by almost exclusive reliance on the Commission on Administration and Finance.[56]

About 12 months prior to the start of a fiscal year the Comptroller's Bureau sends a standardized form to each department, agency, and bureau. They are required to list the expenditures made in the current year and what they want for the next two years. The individual department or agency does not touch the figures for the current year as these amounts for appropriations and expenditures are filled in by the Comptroller. For fiscal year 1961, each department and agency filled in its own estimated needs.[27] These forms are then analyzed by the Comptroller for the Budget Commissioner. Only these forms and the figures thereon can get into the printed budget document. The other information is used by the Budget Bureau for its own determinations; but, little or none of it ever gets to the Chief Executive himself, and, certainly, even less to the legislature and to the public. The budget document has not yet been provided with such sources of information as 1) organizational charts, 2) institutional costs, 3) performance data, and 4) successful accomplishments.

The Governor has only limited opportunity to review the data presented to him, and there is even less time for him to discuss the possibility of revisions with the heads of departments and agencies. He must accept the recommendations of the Budget Commissioner almost *in toto*. These recommendations are often contrary to the desires and known needs of generally competent department heads. Of course, it would be unpolitic and usually wasteful to allow each activity to set its own goals and to determine the amount of resources it shall use to attain these goals. It is common knowledge that the Governor, or more accurately his representatives, indicates the existence of "budget ceilings" to the departments and agencies for guidance in their specific budget preparations. However, this smacks of being a rule-of-thumb measure consistent with the little use of annual reports for budget preparation, not only by the Chief Executive and the Budget Bureau but, also, by the legislature and the departments and agencies. The Governor does not give the operating units a basic, agreed plan of his fiscal program.

The assumptions that the Budget Bureau operates within are: 1) the amount of revenue available and what the Governor will estimate to be the proceeds of new taxes, 2) prices both nationally and regionally, and 3) the growth of the national economy. However, the Budget Bureau is free to revise the estimates of others and to make its own estimates. This is needed because the Governor does not give instructions for "just the type of requests that will be entertained." The departments can ask for anything they desire, even for new projects. This is in no way hampered by the requirement that their estimates be made on a standard form with written explanations for continuing items and justifications for new requests. However, all units do not have hearings on their requests, for only those departments and agencies that request a hearing will get one. They vary in number and depend upon the desires of the Budget Commissioner and the Commissioner of Administration and Finance. The hearings tend to be formal because of the personnel who are in attendance. Those who are usually present are: the specific agency head, two or three members of the Budget Bureau staff, the Budget Commissioner, the Commissioner of Administration and Finance, and the Budget Director for the House Ways and Means Committee, who is a very powerful and influential individual. The Governor, of course, makes the ultimate decisions, at least in terms of broad aggregates. Furthermore, it is widely suspected that it is a standard practice for the Chief Executive, the Commissioner of Administration and Finance, and the Budget Commissioner to settle the larger

issues among themselves without much reference to the departmental estimates and hearings.

The current formulation of the Massachusetts budget does not provide a clear exposition or allow a careful appraisal of the merits of its programs. It bares itself to too much subjective judgment by its decision makers and by its critics. Loose areas are found: 1) in personnel, particularly for temporary help and consultants, and 2) some upgradings of salaries. It is also possible for non-fiscal material to get into the Massachusetts budget as finally enacted. This can be readily discovered by an examination of any general appropriation act. Two very needed remedies are 1) an explanation in the budget message of the Governor's reasons for substantial changes in agency estimates, and, 2) staffing and permitting the Commission on Administration and Finance to review and suggest improvements in the executive organization. It could also develop the brief for creating new agencies and eliminating those whose usefulness has atrophied.

The budget calendar is as follows: department and agency budgets have to be submitted to the Budget Bureau by September 15, according to statute. Then, the Governor must present his budget to the legislature within three weeks of its first meeting in January of the following year.[38] In the preparation of their individual budgets the departments and agencies are obliged to use the printed instructions given to them by the Budget Bureau. They are extremely complete and, together with the required forms from the Comptroller, have been greatly expanded and clarified in the last few years. There are rarely any additional directives sent to the agencies.

Each large department, agency and bureau has a business manager who is charged with the responsibility of getting the estimates from its constituent units for their spending needs for the next fiscal year. By means of subsequent review, revisions and consultations within the department the forms are filled out and returned to the Comptroller and thereafter, as mentioned, to the Budget Bureau. The nature of its review and the type of evidence that it emphasizes puts a premium on the use of last year's estimates as the basic data for filling out the estimates for the future years. This does not give the agencies any incentive to suggest economic and procedural improvements. Conversely, the Budget Bureau has no easy way to determine whether or not economies and improvements have been made in the past year. These procedures have some historical significance that strengthens their retention in the present. But the result, generally, is a constant spiraling up of requests from one year to another with rarely a reduction. Since the agency only has to justify the amount of the increase there is no overall determination of the worth and the size of its entire function.[39]

For the smaller agencies throughout the Commonwealth a bookkeeper is usually in charge of the preparation of the budget (only one of his several duties). In all units different individuals are frequently involved in this process from year to year without any consistency. Furthermore, in their testimony before the Budget Bureau and legislative committees the heads of agencies often protest any reductions in any sector of the budget on the ground that all activities will be thereby impaired. Moreover, when pressed, they generally are able to tell something of the accomplishments of their own agency, but, rarely are they able to say what will happen if specific changes in appropriations or in functions are made within the confines of the agency. Also, probably out of fear of retribution, they will try to slide away from any questions that might suggest a comparison of possible effects of changes within the structure of another agency.

Here, they are able to allege gross effects of a harmful nature but are unable to point up miniscule effects of a beneficial nature. The capable administrator should be able to indicate with a reasonable degree of competence the effects of a variance in the function he is supervising.[40] They have never exhibited cost consciousness unless confronted with an undesirable appropriation. They do not have a philosophy that embraces possible curtailment.

Budgeting must inevitably be concerned with department and agency functions. By the same token their budgets are an important wellspring for the unified executive budget.[41] The departmental budget should indicate what the department is trying to achieve, but many budget requests have been slashed because an administrator was not able to show the relationship of revenues to activities. Part of this poor showing is attributable to the budget format with its stress on organizations and objects of expenditure. Table VI shows the gross requests of all departments and agencies and the Governor's aggregate recommendations, together with the percentage of variance of the recommendations from the requests.

However, if a department or agency is not able to bring its activity "into line" with the budget as finally revised and approved by the legislature and the Governor it has no recourse but to retrench and to cut down both its activity and its personnel. This must be tempered by the realization that over the years some department heads and other employees have formed friendly relationships with

TABLE VI
REQUESTS AND RECOMMENDATIONS
1948-1962
(Thousands)

Fiscal Year	Requests	Recommendations	Recommendations as a per cent of Requests (b)
1948	168,854 (a)	151,585 (a)	89.8
1949	229,933	208,014	90.5
1950	242,852	208,518	85.9
1951	267,540	223,064	83.4
1952	311,969	271,355	87.0
1953	351,321	286,493	81.5
1954	365,823	278,969	76.3
1955	335,787	291,878	86.9
1956	363,454	305,388	84.0
1957	406,813	352,462	86.6
1958	402,915	423,592	105.1
1959	462,025	418,254	90.5
1960	486,440	454,254	93.4
1961	516,771	463,198	89.6
1962	564,543	487,198	86.3

(a) Does not include Agricultural Purposes Fund which was established by Chapter 390 of the Acts of 1947. It was first included in the budget for fiscal year 1949. The fund is small and is charged with recommended expenditures for state prizes and agricultural exhibits formerly charged to the Department of Agriculture in the General Fund.

(b) Computed by writer.

Source: Commonwealth of Massachusetts, House of Representatives, No. 1, 1948-1961.

members of the legislature, particularly the members of the Ways and Means Committees. Also, it is not unknown for individual legislators to protect and act in behalf of specific programs and agencies. Any tolerance of unneeded expenditure, of course, frustrates a disciplined budgetary procedure within the agency and for the Commonwealth as an entity. This is not to imply that the budget process should become a mechanical thing .This would be equally without merit, for it would have to disregard the varying climate and special factors that are a legitimate part of every agency operation. The desirable procedure is to give the decision makers at the higher echelons a full and accurate presentation with some indication of alternative possibilities. This is both salutary and needed if they are to consider adequately and determine the broad questions that are their responsibility. This means they should know what these subordinate officials know.

Estimates

When the Massachusetts budget is prepared it must project expenditures into a future of prices, costs and political circumstances which cannot be exactly determined at the time the departmental requests and budget recommendations are made. This agitates cautious administrators and budget officers to balloon their expenditure requirements, and to project revenues at or below their current levels. The potential gap is dangerous for it would exaggerate an apparent financial emergency that may not exist. The ultimate effect is the establishment of premature and possibly ill-constructed tax levies. The budget estimates certainly are value judgments, but at all times and especially when variables are rapidly changing the estimates and the estimators should be realistic. The initial departmental and agency estimates of expenditures should never be final. The narrow scope of their computation may omit forces that are known only at a higher level, especially tax and other revenue estimates from the Department of Corporations and Taxation. Also, after the enactment of the budget it should be executed with a reliance on not only these predetermined estimates but also such modifications as are provided by new data.

Estimates of collections come from each department to the Budget Bureau, and the several departments are provided with a record of last year's fees by the Comptroller's Bureau to serve as a guide. However, the Budget Bureau is free to revise these initial estimates if it thinks that they have been overestimated or underestimated. On the expenditure side, the estimates for the Governor's budget are essentially taken from the Budget Bureau and not directly from the departments and agencies. The usual policy is to cut the latters' requests, and seldom is reason for the cuts given to the departments and agencies on an official basis. Nothwithstanding this, some officials who are close to the executive office can find out why cuts were made in their own areas. A serious limitation is created by the prevailing tendency to cut expenditures by use of a criterion of "it can be easily cut" rather than "it should be cut," while an explicit revelation of the techniques and assumptions used would serve to offset this haphazard deleterious practice.

Decision Making

Budget objectives must be realistic. They should not be beyond what the public is prepared to support. Both the public and the economic experts have the right and the duty to ask whether responsible officials have posed to themselves all the relevant questions when they make their decisions. The budget should not be merely an audit of past events. Its political and economic functions are only fulfilled if it determines and guides all of the Commonwealth's

fiscal activities. It should be the important tool for directing administrative operations. It is thus implicit that the elimination of waste should not be confined to actions against operating personnel, but should also be extended to the planning and execution of activities. It would be very wrong to assume that the decisions of private enterprises are entirely rational, while those of government are not or, at best, the result of compromises. The Massachusetts Port Authority is now privately operated; but, it probably will not do any better than it has in the past. The change was motivated by financial considerations, and was aimed at getting the Port off the back of the Commonwealth.

The Massachusetts budget is not usually considered in its entirety by either the Governor or the legislature. Also, there is little balancing of alternative choices. Decisions are usually made on a successive basis. In the legislature the Speaker of the House and the President of the Senate read all of the items to their memberships. There is a notation of those for which there is not unanimous agreement. After the entire reading these items are returned to for purposes of further debate, which is restricted to them. On the executive side, the Governor will make major decisions, again usually on a unilateral basis. The multitude of minor ones are made by the understaffed Budget Bureau. Parenthetically, it has not been totally uncommon for the Governor and the legislature, as a body, to be in agreement on objectives but far apart on the budget content that will best give effect to them. Non-fiscal influences are often active.

Summary

The structure of the modern Massachusetts budget is little altered from its formative years. Structural improvements, when made, have generally lagged behind the fiscal complexities they were designed to remedy. The administrative arm of the Chief Executive has been hampered in both its preparation and execution of his budget by a shortage of personnel. The operating units in the total mix of departments and agencies have had to rely on stereotyped procedures in completing their part of the budget formulation. The advances in the theories of budgeting and forecasting have not been assimilated. This can be attributed to the almost total lack of Budget Bureau participation in activities and meetings wherein the frontiers are explored. Any allegation that change has not been forthcoming because of the vested interests in the executive branch proves upon examination to be unfounded because of the obvious understaffing of a facility (Commission on Administration and Finance) which, by statute, is empowered to produce beneficial results.

Part Two
CAPITAL OUTLAY AND THE DEBT

The time should have long passed for questioning the desirability of applying logical and regulatory principles to the expenditures of the Commonwealth. It is outmoded to think of the budget only as an administrative tool, or a summary of a portion of the expected expenditures and revenues of the Commonwealth. A great weakness of the Massachusetts fiscal situation is the failure of the budget to cover and integrate substantial areas of expenditures.

The following analysis is concerned with those additional expenditure formulations that take place outside the coverage of the general budget. First, the capital outlay budget and the supplementary (deficit) budget are examined. Next, the public debt of the Commonwealth, which is inadequately considered in the general budget, is probed. Finally, the use and impact of independent authorities, as vehicles for the accomplishment of objectives that are within the well-defined boundaries of characteristic governmental activities, is looked at and evaluated for Massachusetts.

Capital Outlay Budget

The budgeting of any capital asset involves decisions on the following considerations: 1) initial outlay, and, 2) current and continuing maintenance charges caused by the initial expenditure. The cost of a prior survey is a disguised saving if it forestalls an expensive and irreversible commitment which may push the state's obligations beyond its current and future revenue production. An initial characteristic of the Massachusetts capital outlay budget is that it places more emphasis on planning than it does on budgeting. The former is important, but, it is also proper to weigh the need of a project. In brief, the way in which competing projects are presented to the decision makers influences the mix of activities that will be attainable. Secondly, the capital outlays are financed by the sale of bonds. It is not improper to use current revenue, but few advocates of this procedure have been found. Thirdly, the need for capital assets has not been pitched at an almost constant annual amount. This has permitted the easy camouflaging of a current expense as a capital outlay. Thus, the pattern that has developed shows that an existing facility has not been added to or replaced until it has become dangerously over-inhabited or exhausted in terms of its proper use: buildings are delayed for the Commonwealth's college system; hospital wards are almost immediately filled when newly opened. Also, the Commonwealth has had such a shortage of office space in recent years that it has been necessary for several of its departments and agencies to rent office space in privately-owned buildings.

It is customary for the Governor to present his capital outlay budget separately from and later than his general budget. It usually comes late in the legislative session. There is little opportunity for evaluating these recommendations against the recommendations contained in the general budget, which has oftentimes been enacted. Moreover, the estimates on which these capital proposals may be based are apt to be nearly a year old by the time their appropriations are determined and passed. The procedure also suggests that the construction of the capital facilities might have been unnecessarily delayed. In this era of inflationary pressures this time span can be very costly to the Commonwealth. Within this framework the primary responsibility for the construction of the

capital budget is given to the Director of the Division of Building Construction, which is within the Commission on Adminstration and Finance.[42] He is charged with making recommendations to the Budget Commissioner. However, there is no provision for an estimate of the maintenance required for the proposed facilities.[43] Every year each department and agency must list all its contemplated projects for the director.[44] They must be ordered according to their importance on each individual unit's long-run program of projects. This is commonly accepted as being for the next five years. The building director reviews the projects and their estimated costs in the light of the need for such construction for the long-run welfare of the Commonwealth. They are evaluated on the following classifications: (a) urgent, (b) highly desirable, and (c) future plans. However, at the present this new division has an inadequate staff for a realistic approach to its task. Next, the director submits the entire list of projects together with his recommendations concerning each one to the Budget Commissioner.[45] The list is again reviewed and, finally, presented to the Governor with the Budget Commissioner's recommendations for formulation into the capital outlay budget that will be presented to the General Court.

Table VII shows the pattern of the capital outlay budget as enacted for the fiscal years 1949 through 1961, and Table VIII shows the yearly rates of change. The years during and shortly after World War II found very little capital construction taking place in Massachusetts, but it has grown nine fold from 1949 to 1959. But the new authorizations decreased in 1957 and 1958 and only increased 3.2% in 1959 because of protests about the soaring total debt. The spiral upward was greatly accelerated in 1960 and 1961.

The capital outlay budget is not specifically linked with the General Budget, although House Bill No. 1 (the Governor's budget as presented to the General Court) contains a summary statement. It is a tabular report of figures from the Division of Building Construction, together with the Budget

TABLE VII
CAPITAL OUTLAY BUDGET
1949-1961
(Thousands)

Fiscal Year	Expenditure Current Year	Authorizations			
		Current Year	Total	Issued	Unissued (a)
1949	3,892	3,000	25,000	13,500	11,500
1950	6,141	34,000	59,000	28,400	30,600
1951	11,464	8,620	67,620	33,000	34,620
1952	12,364	23,250	90,870	53,620	37,250
1953	26,377	34,300	125,170	72,120	53,050
1954	23,187	43,907	166,773	92,130	76,947
1955	20,273	None	166,773	102,530	66,547
1956	24,829	31,005	197,638	112,650	87,292
1957	27,159	30,514	227,992	165,065	65,231
1958	33,796	27,100	252,044	200,065	54,282
1959	36,538	27,990	280,034	236,965	45,380
1960	28,657	36,400	316,434	254,579	64,049
1961	25,688	75,300	391,734	282,829	111,088

(a) Does not total because of 1) Transfers and 2) Reductions of appropriation.
Source: Commonwealth of Massachusetts, Public Document 140, 1949-1961.

TABLE VIII
PERCENTAGE ANNUAL CHANGE IN CAPITAL OUTLAY BUDGET 1950-1961

Fiscal Year	Expenditure	Authorization			
	Current Year	Current Year	Total	Issued	Unissued
1950	58.8	1033	136.0	111.0	166.0
1951	86.3	75	14.6	16.2	13.1
1952	7.9	172	34.5	62.5	10.5
1953	114.0	49.4	37.8	34.5	42.7
1954	—12.2	28.0	33.2	28.7	45.0
1955	—12.5	(a)	0	11.3	—13.7
1956	22.7	(a)	18.6	9.9	16.0
1957	9.4	—1.6	15.4	47.0	—25.4
1958	24.5	—11.3	10.8	21.2	—16.8
1959	8.1	3.2	11.1	13.4	—16.4
1960	—21.5	30.0	12.9	7.4	41.1
1961	—10.3	106.0	23.7	11.1	73.4

(a) No computation possible, see Table VII.
Source: Computed from Table VII.

Commissioner's dollar recommendations thereon. However, in addition to being prohibited from participating in initial capital planning the Budget Bureau does not have personnel for subsequent processing and investigations. The Deputy Budget Commissioner is an engineer, but his other duties allow him little time for work on the capital budget. The other staff members are accountants. The Budget Bureau should be capable of doing more in this area in order to meet its own budgetary responsibilities. However, this should not be thought of as a technical operation in the field of construction, but, rather, as an aid to the fitting of the capital budget into a total budget structure. This calls for a pattern of informed coordination with the departments and agencies in charge of developmental plannings.

The capital outlays are so large that the Commonwealth cannot indulge itself with the luxury of maintaining facilities which continue to be operated at a level far short of full utilization. Also, it cannot afford to construct new facilities in locations where the possibilities of a high degree of absorption of the new capital outlay are not good. Massachusetts has many hundreds of buildings varying in age and in condition of useability. There is no allocation of maintenance and replacement by a reasonable determination of the useful lives of the buildings and their equipment. There is no attempt to maintain records of past experiences as a basic guide to future actions along these lines. Surveys have been made periodically but their value has been decreased by failure to sustain the continuity of the useful information that has developed from time to time.

Decision Making

Public investment is rarely guided by the same determinants as private investment. The price and rate of return mechanisms are not generally feasible for the selection of public capital formation projects. This lack of suitable guidelines contributes to the customary postponements until they become "must"

expenditures. Even then the selection of some projects in Massachusetts has been motivated by political considerations and pressure groups, rather than by objective criteria of need and contribution. Furthermore, the capital budget itself must not be unnecessarily rigid. The current inability to make long-run forecasts of economic conditions does not warrant such a format. In addition, even if a capital expenditure is not as beneficial as expected much of value can be learned from an effective post-mortem, augmented by a well-ordered historical record.

The literature does not reveal any well-developed system for governmental decision making for capital outlays,[46] and economic considerations have been given rudimentary attention. In Massachusetts needed improvements must be bolstered by a prohibition of departments and agencies from suggesting legislation which enhances each one's own position; rather they should be forced to come in the front door by inclusion in a budget document. It should be mandatory that all such special legislation must be channeled through the Budget Bureau for its recommendation thereon. In fact, this should apply to all legislation that has any substantial financial implications tied in with its enactment. It is even more beneficial when we remember that budgeting implies an effective determination of priorities. Moreover, the Chief Executive and some legislators complain that they are losing control of the expenditures of the Commonwealth because so many commitments are made in basic legislation, which is passed without reference to other possible uses for the same revenues. State functions are constantly increasing, and if the Commonwealth is to carry out its activities in a proper manner it must have the machinery for investigation and choice about and between activities. The "unitary" mark of budget theory requires that the capital projects and the operating needs be contained in the one budget instrument. But, a caveat must be mentioned. The House Ways and Means Committee and any other examining authorities should not concentrate on the capital sector in order to make reductions in proposed expenditures. To do so would give inadequate consideration to the necessity of a particular capital project for specific agency or department functions.

Problems

The capital outlay budget involves predictions about future trends which are more complex than the short-run consideration of the annual or operating budget. Now, it may be said that capital budgets can be made on an annual basis, but, this is to beg the question. They call for a much longer and less reliable estimate of the future. Joel Dean has remarked that capital budgeting has remained largely "dreamstuff" because of the inability of business firms to make adequate long-run forecasts.[47] In the public sphere, the capital expenditures of Massachusetts have been based many times on ad hoc decisions. There has been no continuity of capital planning. There has not been a building of information based on the capital expenditures that have already been made. The chief criteria for a capital expenditure seem to be 1) an obvious and immediate need for it, and 2) the apparent availability of money, at least to initiate the undertaking. An inflexible program is not the panacea. For many capital outlay projects, especially for the construction of public buildings, it is not practicable to develop an unalterable set of plans for an extended period of years. Such factors as foundation problems, unsuspected weaknesses in support, architectural changes that bring in a needed innovation or eliminate something which has become obsolete, may change the anticipated yearly appropriation for expenditure as determined at the time of the enactment of the capital budget. It may, in fact, give no indication whatever of the actual amount of work to be

done in any single fiscal year. Also, as a sort of by-product, the annual expenditures reported by a department or agency sometimes have no relation to the year when the contract thereon was made or other obligations were incurred to provide for the facility.

It is not always easy to clearly distinguish a capital expenditure from a current expenditure. A narrow definition that is strictly interpreted is apt to alarmingly increase the operational or current expense budget. In reality in Massachusetts, the desire to keep this latter budget at a pre-determined size has caused the displacement of truly current expenses into the capital outlay budget. The Budget Commissioner has estimated that of the capital outlay bonds of $25 million for 1956 $10 million was for current expenses.[48] This and similar situations confuse the debt structure and they should be eliminated. The decisions concerning capital investment are very difficult, and they are not made easier by the fact that solutions necessarily involve substantial subjective judgment about future happenings which cannot be known beforehand with certainty. The anticipated capital needs for the long run are generally underestimated because responsible officials are not able to visualize all requirements. Conversely, in the short run there is a tendency to overestimate capital needs because of the inclusion of all contingent expenditures.

Supplementary Budget

The budget amendment to the Massachusetts Constitution provides: "The Governor may, at any time, recommend to the General Court supplementary budgets which shall be subject to the same procedure as the original budget."[49] Since then many instances have occurred where the attempt was made to justify or camouflage an unusually large operating expenditure by placing it in a supplementary budget. It is a legal permission that runs counter to sound budget and accounting principles. The supplementary budget for fiscal year 1957 contained no previously unanticipated items. For the most part they had been considered earlier with the items of the general budget that had already been enacted. The remainder had not been submitted at that prior time because of political controversy, or they had been previously eliminated by the legislature. Also, undoubtedly because of the antagonism between the Governor and the General Court that had been manifested during the legislative year, the supplemental budget for fiscal year 1957 was given an unprecedented public hearing by the House Ways and Means Committee which had earlier reduced the Governor's general budget by $43 million. Never before in legislative history had a chief executive's supplementary budget been given a public hearing by the House group.

In fiscal year 1958 the general budget made no provision for the Port of Boston Commission and the State Airport Management Board. They were omitted on the assumption that the newly created Massachusetts Port Authority would take over these agencies by purchasing their assets by July 1 of 1957. Since the new Authority was not activated during fiscal year 1958, it meant that the supplementary budget for 1958 had to contain an item of about $2 million to meet the expenses of these agencies. The chairman of the House Ways and Means Committee, at that time, did not find this procedure objectionable. He also declared that it was possible that many of the cuts planned by his committee for the general budget could be and would be restored later in the supplementary budget or the capital outlay budget. He thought that this was often a necessary procedure until the tax picture for the year became clearer.[50]

Parties-in-interest concerning the Massachusetts budget should not be misled by original budgetary cuts that are restored in supplementary and deficiency budgets. This fiscal legerdemain merely adds to the confusion about an admittedly complex matter. In 1956 the legislature cut the general budget by $16 million but, eventually, all of this amount was restored and an additional $11 million was spent. In 1957 the General Court cut the general budget by $42 million, but $17 million was regained by the supplementary budget. The rest of the cut was tempered by the postponement of reimbursements to the cities and towns and repairs and the purchase of equipment. These had to be taken care of in the following year's general budget. In 1958, the Governor did not submit a supplementary budget for fiscal year 1959. On the opposite side of the coin, the supplementary budget is a strategic political tool. An installment presentation of what is otherwise a unitary budget can pinpoint such emotionally charged areas as the aged, the young, and the mentally ill. They occupy the center of the stage and avoid being weighed with other deserving activities that were considered in the general budget.

Deficiency Budget

A deficiency budget is legitimate when it is occasioned by factors beyond control, for example, inflation, scarcity of materials, increase in personnel costs. These are not correctly avoided by an original overestimate. Moreover, it is also deceitful when the reasons for a deficiency budget are faulty formulation of the general budget or poor execution and review of functions, as has occurred in Massachusetts. The newspaper headlines about budget cuts are also politically tempting, and are not vigorously put aside when it is felt that the cuts can be silently restored in a supplementary or deficiency budget. The $1,742,000 deficiency enactment for fiscal year 1958 exhibited some financial manipulations. In addition to the new appropriation, it permitted the transfer of $4 million—$2.8 million was to finance salary increases and $1.2 million within the Department of Public Works was for engineering and maintenance costs. One of several deficiency budgets for fiscal year 1959 was enacted for $12,242,952. In section four it provided for "other salary adjustments." The opposition party vigorously alleged that this was to "take care" of political favorites. Another deficiency bill sought $858,958 to meet the Commonwealth's pension obligations for May and June. A third request was approved at the figure $655,000. It was to meet principal ($129,000) and interest ($526,000) payments for the Commonwealth's debt. It seems plausible that both requests should have been known earlier and placed in the general budget. However, condemnation of all deficiency budgets is error. It stems from an over-simplified and inadequate analysis of the requirements of good budget practices.

Public Debt

The economic aspects of borrowing and spending by Massachusetts are not confined to its geographic boundaries. Loanable funds do not have to be raised entirely within the Commonwealth. Proposed bond issues do not generally appear in the General Budget. They may sometimes be mentioned in the Governor's budget message which is House Bill No. 1 each year, but they are most often submitted separately. The borrowing power of the Commonwealth is governed by the 42nd Amendment to its Constitution.[52] There are only two provisions that relate to the borrowing of money for ordinary purposes. They are: 1) the Governor shall recommend to the General Court the term for

which any loan shall be contracted;[53] and 2) approval of a loan is to be had by a two-thirds vote of those present and voting in each house of the General Court. The legislature is otherwise free to authorize bond issues as it sees fit.[54]

In Massachusetts, at the present time, there is no automatic cancellation of unused authorizations. They stay on the books for years.[55] In 1944 a statute was approved to limit the time for appropriating authorized bond issues to five years. It is still in effect. However, when a bond issue is authorized the Governor can initially set the term of years. Furthermore, there are now provisions for extending the five years by one year periods. Also, the term can be extended by "mingling" which means that earlier bond issue appropriations are blended-in with the last appropriated bond issues. The former then take as their term of years the life period of the latter issue. It is doubtful that a shortening of the time limit to approximately the two years beyond the legislative session wherein a bond was enacted would be beneficial. At the present time, there is no adequate staff in the Budget Bureau or elsewhere to re-evaluate the proposal upon which a particular bond issue was authorized. To eliminate a project because a specific time period has elapsed is potentially more wasteful than to build, now and then, an unnecessary project.

In 1953 and 1962 the Massachusetts Federation of Taxpayers issued very informative reports on some of the debt problems of the Commonwealth, especially refinancing and maturities.[56] Most prior reports on debt in the Commonwealth had been limited to the direct debt because this is the only debt that has to be satisfied out of current revenues. It is the only debt which currently causes budget problems for the Commonwealth and the Budget Commissioner. The existing debt pattern has been constructed without too much concern for the relation of maturities to the life span of the facilities provided. If bond issues continue to mature over unreasonably long time periods their slow retirement will prevent the continual existence of an interest-saving margin of credit sufficient to meet newly ascertained needs.

Debt control is not an adequate substitute for budget control. It avoids the real problem of insuring effective expenditure control. Debt limits operate only on total expenditures without any evaluation of the relative importance of different functions financed within the debt limit. The Massachusetts debt should be within the framework of the budget. The inclusion of the state's debt in the general budget will permit, if use is made of surplus and deficit accounts, the determination of whether the Commonwealth has been operating below, above or equal to its revenues. However, even though the Commonwealth should budget for a surplus for the purpose of effecting debt retirement it does not follow that it should extinguish all outstanding debt. To do so might render a future issue less marketable because the credit rating and other significant fiscal attributes of Massachusetts would be less certain. The general rule for debt management in the state should be to keep the tax burden from materially increasing because of unplanned heavy debt maturities, which will not help Massachusetts competitive position. It could cause some individuals and businesses to choose other states as their domiciles, thus shrinking the Commonwealth's tax base.

Bond issues are appropriated in Massachusetts. They often contain a clause providing for temporary borrowing in anticipation of their sale. In fact, even if such a clause is lacking the Treasurer and Receiver-General can

borrow on the strength of the future bond sale in an indirect manner, for he has the statutory authority to borrow in anticipation of revenues.[57] However, a proposed bond issue rarely spells out its repayment program.[58] After a bond issue has been appropriated the Budget Bureau does not have much control over the spending of the money so raised. The most that the Bureau can do is to delay the sale of bonds until it thinks existing money is running dangerously low. This is not too difficult to discover for all bond revenues in Massachusetts are spent by 1) the Department of Public Works, and 2) the Division of Building Construction, in behalf of the various departments and agencies. There are a few minor exceptions to these two outlets, such as the Armory Commission which is charged with the building of armories wherein the federal government supplies 75 per cent of the money being used.[59] Moreover, bond revenues are not subject to the allotment system.[60] They can be spent at the determination of the department or agency in charge of the project. Also, bond issues do not have to comply with the requirements of the subsidiary accounts.

Structure of Debt

On the topic of the Massachusetts debt the important considerations are: 1) its structure, 2) the recent trend and current condition, 3) service, and 4) management. They shed light on the place of debt in the fiscal picture of the Commonwealth. At the present time there is in existence a relatively large amount of authorized but unissued debt which can be used as it is needed. Until recently the bonds of the Commonwealth were rated triple A. They are now rated double A which is the second highest rating. The great majority of states are rated as double A or lower. A drop in these ratings usually means that higher interest rates must be paid. Thus, while such a drop is no reason for panic it does indicate that fiscal decisions about the debt should be made in a manner that promotes efficient expenditures and a systematic control of future borrowing. Tables IX through XV present the history of the Massachusetts debt between 1949 and 1960.

Table IX also deals with aggregate bond authorizations. Table X shows the annual relative changes in the several categories. They do not include the contingent debt. The sub items for which bonds are authorized are:

1. Highway Improvement
2. Capital Outlay
3. Hurricane and Disaster Relief
4. Logan and Hanscomb Airports
5. Boston Harbor Facilities
6. Drainage and Flood Control
7. Recreational Areas
8. Veterans' Services
9. Hoosic River
10. Fall River Harbor Facilities
11. Gypsy Moth Control Program

The aggregate Contingent Debt is composed of these sub-items:

1. Water
2. Sewerage
3. Drainage and Flood Control
4. Recreational Areas

The pattern of authorized bonds for this area is shown in Table XI in the aggregate and in Table XII on a relative basis.

Table XIII shows the outstanding new direct debt and the net contingent debt for 1947 to 1960. The net figures are better because sinking funds are no longer used in Massachusetts and, in time, those that now remain will be paid off. Columns 1 and 2 show the tremendous growth since 1950, with high-

TABLE IX
DIRECT BOND AUTHORIZATIONS
1947-1960
(Thousands)

Fiscal Year	Current Year	Total	Issued	Unissued (a)
1947	6,000	(b)	(b)	(b)
1948	42,000	(b)	(b)	(b)
1949	111,700	210,292	88,292	122,000
1950	41,195	251,487	112,392	139,095
1951	113,470	364,957	199,037	165,920
1952	25,413	390,370	280,747	109,623
1953	236,335	586,323	279,478	306,845
1954	192,205	775,226	349,678	427,851
1955	13,100	777,233	446,128	333,419
1956	100,955	869,066	569,248	302,121
1957	235,514	1,087,334	670,263	419,374
1958	47,650	1,061,282	810,360	253,225
1959	27,990	1,141,130	910,510	155,430
1960	36,400	1,129,325	955,226	174,099

(a) Does not total because of 1) Transfers, and 2) Reduction of Authorization.
(b) Not Available.
Source: Commonwealth of Massachusetts, Public Document No. 140, 1947-1960

TABLE X
DIRECT BOND AUTHORIZATIONS
(Annual % Change)

Fiscal Year	Current Year	Total	Issued	Unissued
1950	—54.5	19.6	27.4	14.0
1951	175.0	45 3	77.6	19.3
1952	—82.3	6.9	41.0	—33 0
1953	830.0	50.1	—0.5	181 0
1954	—18.7	32.2	25.1	39.6
1955	—93.5	0.2	27.4	—22.5
1956	670.0	10.6	27.6	—9.4
1957	123.0	25.1	17.8	38 8
1958	—80 0	—2 5	20 9	—39.7
1959	—41.3	7.5	12.3	—38.6
1960	30.0	—1.0	4.9	12.0

Source: Computed from Table IX

ways the chief factor. The growth in columns 3 and 4 is due substantially to capital item developments. The contingent debt is a direct obligation of the Commonwealth. But, in effect, it is a loan of the state's credit prestige to the cities and towns of the Metropolitan District. The cost of debt service is annually assessed upon those cities and towns for whose benefit the debt was assumed.

The highway debt is the largest segment of the Massachusetts debt. It is responsible for more than 50 per cent of the total direct debt. But lawmakers in the Commonwealth have never hesitated to borrow for other projects. They

have, however, made inferior arrangements on all fronts to provide for eventual maturities. A policy founded on "building in the present in anticipation of future revenues" has sharply increased the interest cost that must be paid from tax revenues. All of the state's costs have increased in the past decade, but not as much as this interest charge. Returning to the highway debt, it is a good practice, although it is not always done, to keep the bond revenue accounts separated from the general revenue accounts of the Highway Fund. Bonds can then be sold only when necessary to replenish cash needs.[61]

TABLE XI
CONTINGENT BOND AUTHORIZATIONS
1948-1960
(Thousands)

Fiscal Year	Current Year	Total (a)	Issued	Unissued (b)
1948	12,450	93,960	(c)	(c)
1949	2,500	106,410	(c)	(c)
1950	16,610	108,910	(c)	(c)
1951	16,250	125,520	(c)	(c)
1952	49,800	141,770	(c)	(c)
1953	14,000	191,570	110,338	81,232
1954	5,500	197,070	110,338	86,732
1955	1,049	198,120	120,238	77,881
1956	5,800	203,918	124,288	79,630
1957	22,350	219,268	155,397	63,871
1958	22,175	223,925	165,964	57,961
1959	16,529	244,215	186,975	57,240
1960	10,987	255,202	190,962	64,238

(a) 1948 to 1952 computed by author.
(b) Does not total because of 1) Transfers, and 2) Reduction of Authorization.
(c) Not Available.
Source: Commonwealth of Massachusetts, Public Document No. 140, 1948-1960.

TABLE XII
CONTINGENT BOND AUTHORIZATIONS
(Annual % Change)

Fiscal Year	Current Year	Total	Issued	Unissued
1949	—79.9	13.3	(a)	(a)
1950	564.4	2.3	(a)	(a)
1951	—2.2	15.3	(a)	(a)
1952	206.5	12.9	(a)	(a)
1953	—71.9	35.1	(a)	(a)
1954	—60.7	2.9	None	6.8
1955	—80.9	0.5	9.0	—10.2
1956	452.9	2.9	3.4	2.2
1957	285.3	7.5	25.0	—19.8
1958	—0.8	2.1	6.8	—9.3
1959	—25.5	9.0	12.7	—1.3
1960	—33.5	4.4	2.1	12.2

(a) See note (c) of Table XI
Source: Computed from Table XI

TABLE XIII
NET DEBT: 1947-1960
(Thousands)

Fiscal Year	Net Direct Debt	(a) Annual % Change	Net Contingent Debt	(a) Annual % Change
1947	118,643		50,736	
1948	116,586	—1.7	54,936	8.2
1949	129,212	10.9	71,033	30.2
1950	135,726	5.1	68,844	—3.9
1951	202,596	49.5	78,945	14.8
1952	263,717	30.3	100,912	28.2
1953	270,786	2.7	110,251	8.6
1954	341,700	26.3	111,570	0.9
1955	426,085	24.6	117,484	5.3
1956	528,364	24.0	121,623	3.6
1957	589,565	11.6	151,130	24.4
1958	709,721	20.4	169,075	11.9
1959	758,077	6.8	186,263	10.2
1960	718,791	—5.1	183,925	—1.2

(a) Computed from Columns 1 and 2

Source: Commonwealth of Massachusetts, Report of the Treasurer and Receiver-General, Public Document No. 5, 1960.

Service and Management

A continually vexatious problem confronting the Governor and the legislature is the year by year increase that is taking place in the service of the Massachusetts debt. There is no current debt procedure that realistically recognizes that this upward spiral will have the ultimate effect of diminishing expenditures in other areas of activity. Furthermore, the pledging of the revenues from specific sources for particular types of bond issues (highway bonds) strongly tends to give all other future bond issues a reputation of having subordinate security. The pledge also reduces the utility of any excess revenue realized from this source. It is not possible to make exact economic forecasts about the long run as a guide in these matters; nonetheless, present techniques can give considerable enlightenment and thereby reduce the costs involved.

In Massachusetts it is not unknown for a bond issue to be indirectly retired with the proceeds of a subsequent debt issue. In the case of actual retirements the Commonwealth does not equate the rate of retirements to the depreciating value of the assets that were purchasd with these revenues. The former tend to be too lengthy. This omission is slowly distorting resource allocations as the annual principal and interest charges increase. Economy in government is frequently said to be evidenced by the negation of new loans. Such an absolute declaration is a mistake for it prevents the acquisition of assets that are significantly more efficient or presently lacking. Table XIV shows the post World War II pattern of debt retirements and interest payments for the Commonwealth's direct debt. Column 3 lists the annual state revenue, exclusive of bond and note issues. Column 1 of Table XV shows the yearly percentage change in principal payments. A similar presentation of interest charges is contained in column 2, whereas column 3 is constructed by adding crosswise the yearly principal and interest charges in Table XIV and computing its percentage relation to the annual non-debt revenue (column 3 of Table XIV).

TABLE XIV
SERVICE CHARGE FOR DIRECT DEBT
1948-1960
(Millions)

Fiscal Year	1 Principal	2 Interest	3 Revenue (a)
1948	1,828	1.491	211,565
1949	3,028	1,506	229,748
1950	17,408	1,749	248,387
1951	19,593	2,265	299,868
1952	28,391	3,005	313,632
1953	31,823	3,925	348,747
1954	25,071	4,465	357,117
1955	23,823	5,904	371.091
1956	31,609	9,476	402,482
1957	39,685	11,164	440,619
1958	43,321	14,392	475,808
1959	51,746	18.727	592,309
1960	56,792	20.209	577,972

(a) Exclusive of Bond and Note Issues

Source: Commonwealth of Massachusetts, Public Document No. 140, 1948-1960

TABLE XV
PERCENTAGE ANNUAL CHANGE IN SERVICE CHARGE FOR DIRECT DEBT

Fiscal Year	Principal	Interest	Service Revenue
1949	66.2	0.11	2.0
1950	480.0	16.1	7.7
1951	11.7	29.5	7.3
1952	45.0	32.7	10.1
1953	15.7	20.6	10.2
1954	—16.6	13.8	8.3
1955	—5.0	32.2	8.0
1956	32.8	60.6	10.4
1957	25.5	17.9	11.8
1958	9.2	29.0	12.2
1959	19.4	30.1	11.9
1960	9.7	7.9	13.3

Source: Computed from Table XIV

The General Court has authorized the Treasurer and Receiver-General to sell bonds, and it also has established the conditions of the sale and in the last decade its pronouncements have been all-inclusive. The Treasurer has had little discretion concerning details. However, bond sales do not occur immediately after an authorization. Generally, it is not good financial management to raise the total amount of money prior to the start of a project. In recent years proposed bond sales have been initially discussed by the Finance Advisory Board, for which the Deputy Budget Commissioner is secretary, thereupon the board makes a recommendation to the Budget Commissioner who advises the

Treasurer that bonds of a specific aggregate dollar amount should be sold. The Treasurer has the authority to initiate such sales at his own discretion. He has, nevertheless, always taken the advice of the board and the Budget Commissioner. When the bonds have been sold it is the responsibility of the Budget Bureau to keep track of the spending of the proceeds. The bureau is also charged to give timely warning about cash needs and to provide for them by advising about future bond sales. Also, the Budget Bureau keeps a watchful eye (additional personnel, of course, is the great need) on interest and retirement payments.[62] Thus, in a large degree the state debt of Massachusetts is centrally supervised by the Finance Advisory Board and the Budget Bureau. Also, these two agencies have taken over the contingent debt. They make almost mandatory recommendations thereon.

Budget Relations

In Massachusetts, as has been mentioned, projects financed by debt do not compete with other activities through the budgetary process. The state debt is presented in a descriptive form which shows 1) all unmatured debt issues; 2) their statutory basis; 3) the total amount authorized and the amount not yet matured, together with their total term of years and the date of the last year of maturity for the issue; 4) the actual interest and maturities of the current fiscal year and the estimate for the coming fiscal year; and, finally, 5) the unexpended balance of the amount authorized.[63] Further investigation must be made in order to determine the condition and implications of the Commonwealth's debt. The several funds must be analyzed, for they are the sources of repayment for individual segments of the debt. For some bond issues limited revenue sources are available for required payments. Of course, the overwhelming amount of such expenditures are made from the general and highway funds.

The burden of the debt is heavy. The reduction that can be accomplished in any one year is small. It has lately been offset or exceeded by refunding operations or new issues. Refunding is not unknown in Massachusetts: the World War II Veterans Bonus Loan was refinanced. However, it is the new issues that are constantly propelling the upward movement of the total debt. There is also a discernible tendency for new issues to be for longer terms. This means, of course, that the burden of a single bond sale will be a budget consideration for a long period of time. The current technique for debt management in the Commonwealth relies on variations in 1) tax rates, and 2) expenditures, and it is clumsy. It is not suitable for attaining an equilibrium operation as the dynamism of the economy quickens both nationally and locally. It is not able to combat the consistent use of debt as a device for spending unrestrained by revenue limitations. Any proposal to establish reserve or stabilization accounts (funds) to control and smooth expenditures would not be easily effectuated. Politicians like to spend whatever is on hand. Citizens tend to feel that reserves represent unnecessary taxation. Consequently, the Commonwealth must be cautious in increasing its debt. State governments, unlike the federal government, do not have the most productive sources of revenue. They do not command the resources of the credit market as readily as the federal government does.

Independent Authorities

In Massachusetts an independent authority is a public corporation created by a special act of the General Court.[64] It is set up outside the framework of departments, agencies, commissions, bureaus and divisions. Proponents declare

that freedom from restrictive and routine governmental operations will enhance the use of the best techniques of private management in the public service. The central question is: What are the considerations needed to decide on a choice between a general purpose state unit and one or more special purpose authorities?[65] There must be an awareness that authorities tend to cause the Commonwealth to surrender control of its own finances. Also the acceptance of authority financing engenders the possibility that an undue burden for their support will be placed on special user charges rather than on the Commonwealth's tax structure, where the criterion of ability to pay has some serviceability yet remaining.[66] Moreover, if large profits are gained or if deficits result the general public will widely condemn the use of authorities. Some will equate the profit to hidden taxes and the deficit to poor management. Beyond this, the primary danger lies in the possible expansion of authorities by almost non-restricted and invisible actions.

The following authorities have been created by the General Court, as of the close of 1961: the Massachusetts Turnpike Authority, (the Mystic River Bridge Authority since consolidated with) the Massachusetts Port Authority, the Massachusetts Parking Authority, the Boston Arena Authority, the Metropolitan Transit Authority, the Nantucket Steamship Authority, the Mount Greylock Tramway Authority, the University of Massachusetts Building Authority, and the Lowell Technical Institute Building Authority.

At the present time, the operations of the independent authorities in Massachusetts in most instances are effectively beyond the control of the Governor and the legislature. Their revenues and expenses do not go through the budget. The only mandatory requirement, which is the same for any private corporation, is that they file a yearly informational report. Such reports give synoptic data about activities which many feel should be retained directly under the Commonwealth's control. It is poor budget practice to omit the receipts and disbursements of these autonomous, special-purpose units of government. John R. Hicks holds that the whole range of public undertakings should be included in the budget.[67] But, in 1955 the Governor's Revenue Authority Advisory Committee, advocating the creation of independent authorities on a self-supporting basis, stated its position in this manner.

> Indeed, continuance of the present policy of taxing everybody billions of dollars to finance and support projects which could be made self-supporting is hardly defensible. Neither is it easy to defend the constant postponement of the construction of new revenue-producing facilities because of lack of public funds when such facilities could be removed entirely from the tax load while adding immeasurably to the prosperity of the whole area.[68]

Also, they signified approval of the following statement:

> In the Port Authority (New York) we use performance budgeting. Individual units and divisions of our organization responsible for performance of a job are held to budgetary responsibility for that job. Our accounting system is integrated with our budgeting so that controls are available at all times at the job performance level.[69]

The latter statement is not objectionable. However, the former statement neglects the benefits to be gained by a coordination of the expenditure activities of the authorities with regular governmental activities. This would reduce the risk of unnecessary and unfavorable spending by the authorities.[70] It is mandatory moreover, if there is not to be a watering down of executive and legislative controls over major functions.

The budget document refers to authorities only when and if they receive an initial loan in order to get under way. This loan is merely referred to and is not a part of the budget proper. Their activities are not subject to any review by the Budget Bureau or the State Auditor except the Massachusetts Port Authority. The Governor's budget message might well contain a review of authority finances and activities. A summary statement, showing the operating results of the authorities now in operation, together with their balance sheets, would be a beneficial addition to the present budget document. It is also debatable if any activity has to be absolutely and unequivocally provided. But, if it must be provided, then the use of the procedures of a program budget would take care of activities that are deemed to need the flexibility that is characteristic of an authority. However, there is little profit to be had from a change of these authorities into departments or agencies until there are indications that the regular budgetary process will be improved.

Problems for Authorities

The moneys that are spent by the Massachusetts authorities are obtained from four sources: 1) direct legislative appropriations, 2) operating receipts, 3) borrowings, and 4) proportionate levying of deficits against constituent municipalities. If either one of the existing authorities and any future ones that may come into existence do not prove self-supporting, their bonds will be in disrepute. To avoid the harmful repercussions that this would occasion for its own credit rating, the Commonwealth would undoubtedly come to the aid of that authority, thereby placing an extraordinary levy upon its general fund revenues.[71] A trend towards further use of authorities must be tempered with the knowledge that few activities are so needed that they must be provided regardless of their costs. As a general rule, if the activity derogates from the budgetary process and its attributes for decision making it should be discarded. This should not be easily put into the background by any vigorous advocacy of profit potentials as the ruling criterion for the enactment of authority performed activities. It alone is not sufficient for the selection of activities that are fundamentally governmental in nature. Also, within an existing authority, profit should not be the sole criterion for the evaluation of the efficiency of the services provided.[72]

The advantages of an integrated economic area are a persuasive argument for the use of the New York-New Jersey Port Authority. There is no regional advantage of substantial value that can be currently attained with the use of authorities by Massachusetts, either internally or in cooperation with its neighbors. The unnecessary multiplication of area or state-wide authorities increases the risk of loss through duplication of services, personnel and equipment. However, a very persuasive argument could be made for the fiscal independence of certain functions if it could be shown that they have been constantly and arbitrarily provided for in a penurious manner, especially by being deprived of a fair share of new revenues. Such wholesale discrimination is not apparent in Massachusetts.

The bonds of the authorities are subject to the conditions of the financial market. A strong acceptance does not mean that they are in harmony with the public policy of the Commonwealth. Also, this test does not validate the assumption that they are operated efficiently. (It goes without saying that an authority strives to be known as a business success.) This is further aggravated by the transfer to the Port Authority of properties belonging to all the citizens

for considerably less than their fair cash value.[73] There will be little later supervision. Informational returns will be filed with the legislature but, in the past, they have not been entirely complete. Also the Budget Bureau does not get any pre-action reports. Conversely, one of the advantages of government activities is their ability to continue in a general economic crisis wherein a private or quasi-private activity of the same nature might have to shut down. This can create a ticklish problem. In pure theory, since the authorities are not government sponsored and do not submit to the budget they cannot expect aid. However, this could be relaxed if a voluntary amendment of their charters required that all deficits of the enterprises are to be met by a state loan which would appear in the budget. In line with this, profits would go to pay off such loans. They should never become political ammunition for wage increases or for lower prices for the particular service. Finally, the tax angle points up an unresolved problem. If the functions performed by the authorities are unquestionably of a public nature and essential the Commonwealth is not justified in transferring their execution to a non-governmental organ. On the other hand, if they are not within the acknowledged sphere of governmental operation the present exemption of their bond interest from federal taxation is unjustified.

Summary

The capital outlay budget is formulated, enacted and executed without any realistic reference to even the peripheral issues of the general budget. This is also substantially true for supplementary budgets. The former has been rarely used to anticipate the legitimate capital needs of the future. More often its contents have been determined by the omissions of the past and dangerous inefficiencies of scale. The latter should aim at providing for unanticipated needs. These have always been a minority portion of its total content. The greater segment could have been anticipated at a much earlier date, or having been rejected during the travail of the general budget they are now brought back for a second chance, or they were deliberately omitted from the general budget because of an unfavorable political or psychological climate. In this area of debt the general budget of Massachusetts provides for the repayment of principal and interest. However, the assumption of any original obligation and its goal is not subject to the budgetary process. The goal does not have to compete with other possible goals for the money made available by taxes and borrowings. Moving beyond the horizon, the maturity aspects of the debt are an ill-conceived hodgepodge. There has not been any manifest concern for the protection of the credit rating of the Commonwealth. A recent downgrading has not checked lavish proposals for future projects, especially for highways and other roads.

Independent authorities are not currently numerous in Massachusetts. However, since 1950 each succeeding governor has tended to voice approval of the authority device. Such high-level acceptance tends to buttress the claims of proponents and to dilute the substantial protests of opponents. The inability of the Commonwealth to perform the functions for which authorities have been proffered has been mostly assumed rather than determined by at least a preponderance of the weight of the evidence. It is an easy solution for vexatious problems; and, furthermore, it does not add to the upward thrust of budget and appropriation levels. However, it is expensive. The scope and underpinning of the Commonwealth's decision-making power is reduced.

[1]Frederick C. Mosher, *Program Budgeting: theory and practice with particular reference to the U.S. Department of the Army* (New York: Public Administration Service, 1954). Chapter I has an excellent statement of the purposes and principles of public budgeting.

[2]Jesse Burkhead, *Government Budgeting* (New York: John Wiley and Sons, Inc., 1956) p. 247. Here is a warning against the extremes of procedural specialists.

[3]An unattended part of the budgetary process in Massachusetts and elsewhere is the evasion of its control over expenditures. A significant study could compare the amounts of money thus wasted with those lost by tax evasion.

[4]Amendment 63, s. 3.

[5]*Ibid.*, ss. 2-5

[6]Governor Foster Furcolo presented his first budget to the legislature on January 23, 1957. He was the first chief executive in twelve years to personally present his budget to the General Court.

[7]Prior to 1943 the fiscal year ran from December 1 to November 30.

[8]General Laws, C. 4, s. 7 (9); C. 7, ss. 2, 4; C. 29, s. 6.

[9]*Opinion of the Justices,* 297 Mass. 577; *Baker* v. *Commonwealth,* 312 Mass. 490.

[10]"Constitutions are intended to preserve practical and substantial rights, not to maintain theories."—By Justice Holmes in: *Davis* v. *Mills,* 194 U. S. 451, p. 457.

[11]This section draws on the following: Luther H. Gulick, *Evolution of the Budget in Massachusetts* (New York: The MacMillan Co., 1920); Arthur H. Edens, *The Governor and the Budget in the Commonwealth of Massachusetts 1910-1941* (Unpublished Ph. D. dissertation, Department of Public Administration, Harvard University, 1949); Commonwealth of Massachusetts, *Report on the Administration of State Revenues and Loans,* House of Representatives, No. 2225 of 1916; *Report on Budget Procedure,* House of Representatives, No. 2288 of 1916; *Report on State Finances and the Budget,* House of Representatives, No. 1185 of 1918.

[12]*Ibid.*, No. 1185 of 1918, p. 13. It shows some of the then existing defects.

[13]Massachusetts had a biennial budget for the short term of five years. The annual budget was revived in 1944 by a referendum vote.

[14]Commonwealth of Massachusetts, House of Representatives, No. 1 of 1961, 1962. It is to be distinguished from capital outlay, deficit, and supplementary budgets.

[15]Capital outlay items are traditionally presented in a separate instrument by the governor to the legislature.

[16]A new record was established when prorogation for 1960 came on November 23. However, a special session was called to meet on December 6.

[17]The Governor and the legislators are not entirely to blame for the rising cost of the Massachusetts government. Many sincere efforts to economize have been made; though, clearly, the tug of soaring costs is almost irresistible.

[18]This conflict of authority is the paramount barrier to be overcome in any attempt to switch into a more informative type of budget, i. e., a program budget.

[19]In Massachusetts the Governor can exercise an item veto. He can apply it to appropriation bills only, it does not apply to spending bills that come up through the ordinary legislative process. Here the Governor must accept or reject the bill in its entirety. In regard to the item veto, the problem is to so define an "item" that it relates exclusively to a self-contained whole and does not affect the operation of the rest of the bill.

[20]Jesse Burkhead, *Government Budgeting,* p. 341.

[21]In 1948 the Chairman's title was changed to "Commissioner of Administration." His individual authority was enlarged and his term was made similar to the Governor's.

[22]Aligned with the Commission and under the control of the Commissioner is the Director of Personnel and Standardization. Also, the Commission appoints the Director of Building Construction who must submit capital outlay projects. The Division of Hospital Costs is also placed here.

[23]Commonwealth of Massachusetts, House of Representatives, No. 800 of 1922.

[24]General Laws, C. 7, s. 7.

[25]At the present time, the Division of Personnel and Standardization works with the three bureaus as a coordinating body. For some data on the personnel assistance the Division gives to the Budget Commissioner see: Commonwealth of Massachusetts, *Report of the Special Commission on the Structure of the State Government,* House of Representatives, No. 2352 of 1954, p. 13.

[26]The duties of the Comptroller are set forth in General Laws, C. 7, ss. 13-22.

[27]It might be intriguing to compute how many lines make up 50 per cent of the dollars sought. How close to 50 per cent of the lines does it come?

[28]This should include the administrative positions. They are presently too numerous, too ill-defined and too uncoordinated. The lengths of terms have a wide variance. Some are for as long as sixteen years, which is equivalent to a Governor's election and re-election on eight occasions. These statutory prescriptions do not provide the modern vehicle needed in a dynamic economy.

[29]August 4, 1959, John J. Manning, executive secretary of the State Retirement Board, testified before the Senate that he had inherited the policy of asking for less ($500,000 at this time) than necessary for the pension fund, and, then, making it up in the supplementary budget.

[30]*Ibid.*

[31]For fiscal year 1960 the Civil Defense Agency and the Aeronautics Commission were not given revenue in the general budget because of such a conflict.

[32]It should be noted that the spending of federal money is supervised by the Comptroller.

[33]Commonwealth of Massachusetts, Special Commission on Audit of State Needs, *Federal Funds for Massachusetts* (November 15, 1957). See: pages 20, 21 for federal grants made to Massachusetts and agencies or departments receiving federal grants and aids.

[34]However, note that existing appropriations can be reduced by a later appropriation bill, even in the same fiscal year. See: Acts of 1961, C. 495, S. 15.

[35]The prevalent fiscal philosophy does not include any apparent tenet that the budget's over-all size should be kept as small as possible.

[36]The general regulations for the preparation of the budget are in the General Laws, C. 29, s. 6.

[37]In an interview on May 29, 1958 the Deputy Comptroller stated that in his opinion the variance between the various figures was not too wide. He said that this was a good procedure, and that the time involved is necessary and cannot be shortened to any considerable extent.

[38]On the federal level Arthur Smithies has proposed a reorganization of the budget chronology. He would have preparation start in December or even in January. It would end in March. See: Arthur Smithies, *The Budgetary Process in the United States* (New York: McGraw-Hill, Inc., 1955), pp. 178-192, 218.

[39]The Budget Bureau hearings rarely dwell on the possibilities of duplication and inefficiency. The legislative hearings are usually intermixed with confusing and partisan opinion evidence.

[40]The Boston *Traveler* of March 3, 1958, reported that the chairman of the House Committee on Ways and Means was agitated because several officials seeking appropriation had indicated "it is your problem, not ours."

[41]It is not currently possible to get the facts on the Metropolitan District Commission or the Department of Public Works in order to check if they are going on their own or following directives.

[42]Acts of 1953, C. 12.

[43]The price of poor capital budgeting and, parenthetically, improper supervision of construction is later paid for in excessive maintenance costs over the course of years.

[44]The Comptroller also requires the various agencies to list their capital assets every year. But, since no attention is paid to depreciation figures, it is almost impossible to convert the report into a declaration on present values.

[45]The Budget Bureau is excluded by statute from all preliminary studies, etc., on capital planning: General Laws, C. 29, s. 5A.

[46]In the area of private investment see: Joel Dean, *Capital Budgeting* (New York: Columbia University Press, 1951).

[47]Joel Dean, *Managerial Economics* (New York: Prentice-Hall, Inc., 1951) p. 159.

[48]Commonwealth of Massachusetts, *Second Report of the Fiscal Survey Commission,* House of Representatives, No. 2400, 1955, p. 8.

[49]Massachusetts Constitution, Articles of Amendment, No. 63, s. 2.

[50]Interview, July 9, 1958.

[51]Commonwealth of Massachusetts, *Report on the Administration of State Revenues and Loans.* House of Representatives, No. 2225 of 1916. This is a good background on the Massachusetts debt of that period, its flaws, etc., and why a budget should be adopted.

[52]The Tax Foundation, *Constitutional Debt Control in the States* (New York: Project Note No. 35, 1954). Here is a complete coverage for all the states.

[53]General Laws, C. 6, s. 97 created the Finance Advisory Board in 1956. Its function is to aid the Governor in his fiscal activities.

[54]The Massachusetts Constitution appears to be clear in its statement "That borrowed money shall not be expended for any purpose than for which it was borrowed or for the reduction or discharge of the principal of the loan." (Art. 62, s. 4, amendments.)

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